THE FREEMAN

IDEAS ON LIBERTY

Globalism and Sovereignty

Insurance: True and False

Creative Destruction—Again

Jack the Radical

APRIL 1996

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PERSPECTIVE

Pride and the Nanny State

I do not come from a rich family, and the other day it struck me that I am, in a way, glad of this. My wife and I recently purchased our first house, and, after we had inspected it one Sunday while it was still being completed, I remarked to her that it was a satisfying feeling to be purchasing the house ourselves.

While other aspects of our lives, such as relationships with spouses, family, and friends, are undeniably meaningful and essential to achieving happiness, we humans also live in the economic world. So it is natural that surviving, flourishing, and prospering would also be a significant source of happiness. It is deeply satisfying to have truly earned something—a car, a new computer, a job, even if these are derided as "material" by some.

But this source of satisfaction is being threatened by the welfare state of liberals' and socialists' dreams.

Well-meaning people often proclaim that people have a right to food, to employment, housing, education, pension plans, medical care, and so on, and that government should therefore provide us with them. Surely we should not let people starve, or be reared illiterate and uneducated, these humanitarians say. But when government gives us these things and relieves us from the responsibility of providing them, it also removes the possibility of our achieving them, and of taking pride in such accomplishments. Even feeding one's family and educating one's children, provide a feeling of serene accomplishment. When I stand in a grocery line and purchase groceries with money I have earned myself, I feel a self-satisfaction that I doubt any welfare recipient cashing in his food stamps ever could. Parents who pay for their children's education in private schools undoubtedly derive satisfaction from this, a feeling that is denied to the bulk of parents whose children are state-educated.

If the nanny state took care of all our wants, one could, I suppose, attempt to convince himself that he really paid for it through taxes. But I doubt that this contrivance would succeed any better than "play-

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ing market" did in socialist economies. It is just not the same.

This is how it seems, in any event, in my own experience. I attended a large state university. Although students pay tuition, because the school is heavily subsidized by tax revenues, tuition covers only a small portion of the cost of their education. The rest is given to them free by the state. If I tell someone I paid my own way through college—well, it's not quite true, is it? Unconvincingly arguing, "Well, I probably paid more in taxes than it cost to educate me" simply cannot substitute for unambiguously saying "I earned this" or "I paid my own way."

Nor would our benevolent providers long let us say even this. I frequently receive requests for contributions to my alma mater, with the underlying implication that I should "give back," since I obviously was given something for free. I have even heard liberals entertain the idea that some sort of "fee" be paid by rich Americans trying to emigrate to escape taxes, on the grounds that they must "pay back" the government for all the benefits conferred on them, such as education, roads, or even for the freedom they had that "allowed" them to earn their fortune in the first place. So in practice, the omni-provider state not only removes a huge source of satisfaction and accomplishment from people's lives, it also turns the tables on its wards and imposes obligations on them, telling them that they are "in debt" to the state for all it's done for them. In the land where "self-made man" used to be one of the highest marks of praise, it has become almost impossible to be one.

If we want individuals to be able to achieve meaningful satisfaction in their lives, to take pride in their accomplishments, we must allow them to fail, as well as succeed, and we must replace the nanny state with a regime of self-reliance and self-respect.

—N. Stephan Kinsella

Mr. Kinsella practices patent law with Schnader Harrison Segal & Lewis in Philadelphia.

Forty Years Ago in *The Freeman* . . .

Frank Chodorov: ". . . whenever government undertakes to solve an economic problem, it simply creates other problems. This is because the laws of economics operate without regard to political 'expediency.'

"As Nock observed in *Our Enemy, the State:* 'Every intervention by the State enables another, and this in turn another, and so on indefinitely. . . .'"

Leonard E. Read: ". . . there doesn't appear to be any widespread, lively recognition of the fact that conscience, reason, knowledge, integrity, fidelity, understanding, judgment, and other virtues are the distinctive and exclusive properties of individual persons.

"Somehow, there follows from this lack of recognition the notion that wisdom can be derived by pooling the conclusions of a sufficient number of persons, even though no one of them has applied his faculties to the problems in question. With this as a notion the imagination begins to ascribe personal characteristics to a collective—the committee, the group, the association—as though the collective could think, judge, know, or assume responsibility. . . . With this as a notion, the responsibility for personal thought is relieved and, thus relieved, fails to materialize to its fullest."

Paul Poirot: "*The only security any person can have lies within himself.* Unless he is free to act as an individual, free to be productive in his own behalf, free to determine what part of that production he will consume now and what part he will save, and free to protect his savings, there is no chance that he can find security anywhere."

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THE FREEMAN
IDEAS ON LIBERTY

Insurance: True and False

by Llewellyn H. Rockwell, Jr.

The movie classic *Double Indemnity* tells the story of a couple's attempt to commit murderous insurance fraud. Their plans were foiled through the investigation of a hard-bitten insurance executive. At the time, audiences were shocked that a middle-class couple would attempt such a scam.

The film shows how insurance is *supposed* to work. The company offered double payment on life insurance if the policyholder fell off a train and died. Why did the company offer such a policy? Because the data from past experience suggested that it virtually never happened. When it did in fact happen, executives at the company suspected foul play.

As the story makes clear, the business of insurance is the business of making money, not granting welfare. That requires collecting more in premiums than is paid out in settlements. To do that, firms must assess the risks inherent in every conceivable set of conditions.

Most of us don't know the odds of falling off a train. That's not our job. But insurance companies do know, because that *is* their job. When a company grants insurance against some random event, they are betting that it is not going to happen.

For example: What are the chances someone will be killed by an asteroid? Pretty low. If a company wants to insure against that, it will charge low premiums and make high payoffs.

Mr. Rockwell is president of the Ludwig von Mises Institute in Auburn, Alabama.

But what are the chances that a drug-dealing gang member in the inner city is going to be gunned down? These days, pretty high. That means high premiums and low payoffs, or, more likely, no insurance at all.

The risk inherent in most insured events falls somewhere between the impossible and the very likely. It's a tricky business assessing risk and staying ahead of the uncertainties with which life confronts us. It is best handled by hard-bitten capitalists.

Sound insurance requires that people who attempt to beat the company through fraud be weeded out. The astronaut who applies for an asteroid-protection policy, for example, had better tell the truth about his profession, or face penalties. Neither can a member of the Crips be allowed to lie about his occupation or his address.

Government Insurance Fraud

Insurance fraud, like that committed in *Double Indemnity*, is still illegal—for people in the *private* sector. The federal government, on the other hand, perpetrates huge insurance frauds every day, and taxpayers are enlisted to pay double indemnity settlements in perpetuity.

The most prominent example is the extension of health insurance to the entire country through programs such as Medicaid and Medicare, and the never-ending call for making these schemes or something similar universal. To insure people for their medical bills regardless of a pre-existing condition is

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like an insurance company offering a widow a life insurance policy for her husband after he has been buried.

It does not make economic sense. And it creates a moral hazard. If insurance companies don't root out insurance fraud, they create a perverse incentive structure that can turn a portion of their customer base into plunderers. The result is bankruptcy.

When governments offer insurance regardless of risk, they create the same sort of moral hazard. They reduce the incentive to avoid the very behavior they are insuring against, which in this case is sickness.

Ironically, any form of government-mandated health insurance will increase the degree of unhealthiness in society. It reduces, as Ludwig von Mises pointed out, the will to health. If medical care comes at zero price, risky behaviors carry less of a penalty, and healthy behaviors carry less reward.

In private markets, your behavior determines your risk pool. When you get a speeding ticket, your auto insurance goes up. Keep up the behavior, and you won't be able to get insurance. This is as it should be.

In a market economy, there is no affordable flood insurance for people who live on rivers that flood every year. There is no affordable fire insurance for people who live on combustible underbrush. We can live in these areas, but we do so at our own risk.

Under government health insurance, those who are covered qualify for reasons other than profitability. Risk pools are chosen with politics, not demographic risks, in mind. Not even joining the Bloods or jumping canyons in a motorcycle increases your premium.

So long as they qualify as "poor" or "aged," health-club addicts pay no less than couch potatoes. Government likes to brag that its insurance can't be taken away, but that is the exact opposite of the market-based insurance message.

From the government's point of view, providing health insurance has one great benefit. It draws people into a dependency relationship with the government. Bureaucrats get more customers. The long history of government insurance shows how successful this trick is, and how much long-term damage can be done.

Welfare for the Middle Class

Otto von Bismarck was an innovator in promoting middle-class welfare in the guise of social insurance and selling it as a conservative program. Decent people disapprove of the dole. But social insurance? Now that's another matter, he found. That's just government protecting people against uncertainties, just like private insurance. Germany still suffers today as a result.

The English and Swedish governments also excelled at duping the public into buying varieties of insurance with their tax dollars. In each case, the public formed a dependency relationship with the State. The Fabians much preferred this form of socialism over revolution, though the long-run consequences are not that much different.

Our federal government offers a variety of false forms of insurance that invite the "policyholders" to squander the contents of the public purse. One of these policies is offered to bankers. It's called deposit insurance.

Like the insurance company in *Double Indemnity*, banks once had an incentive to keep costs and risks low. Market pressures of competition—and the threat of bank runs—forced bankers to remain solvent. If banks lent out more deposits than they promised to keep available for withdrawal on demand, they went belly up. Bankers would compete by advertising high reserve ratios and pursuing only sound investments. This made for soundness in banking and more economic stability.

But with the Great Depression, Franklin D. Roosevelt had the idea of offering insurance for all deposits. The bankers did not mind. They no longer had to compete for customers in the same way. Bad loans would be bailed out by Washington's printing presses.

If the wad of cash you take to Las Vegas is your own, you're more careful about what you gamble on. But if you're using someone else's credit card, high-stakes poker is def-

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initely the way to go. You get all the returns and suffer none of the losses.

So it is with deposit insurance. Bankers get double indemnity payments on errors of their own creation. Depositors don't care, so long as they get the cash when they want it. But the public pays, through taxation or the hidden tax of inflation that comes with running the Federal Reserve's printing presses.

Throughout its history, deposit insurance has caused bankers to make unsound loans and to invest irresponsibly. And as we saw in the savings and loan scandals, or the Mexican bankruptcy, it has caused moral hazards that cost taxpayers tens of billions.

Unemployment Insurance

The government has another policy to offer. This one is for workers. It's called unemployment insurance. If you lose your job, you start collecting benefits. If the government had advertised this as welfare, it might not have been so successful. The dole has never been dignified. But with unemployment insurance, you collect a "monthly settlement" financed with "prior premiums."

In fact, by its very nature, employment cannot be insured in a market, any more than entrepreneurship can be. It is not a random event. Only involuntary events, with premiums carefully controlled for risk, are conducive to profit-making insurance.

Unemployment insurance nearly destroyed the British economy. It protected people from the ravages of unemployment all right. It protected them so much that the unemployed decided to *stay* unemployed, which drove the economy into the tank. Jobless insurance, combined with other labor interventions, prolonged the depression in this country as much as seven years.

This type of insurance creates the illusion of sticky wages and a stagnant job market. In a recession, wages are supposed to fall. With insurance, wages stay high. They then induce mistaken Keynesian policies like fiscal stimulus, monetary stimulus, jobs programs, and price supports. If labor markets are allowed to correct downward, the political support for such programs would not exist.

For some reason, unemployment insurance remains among the most untouchable aspects of the welfare state. It has led people to believe that they have a right to a constant income stream.

We were much better off in the old days, when wages were tied to productivity. There was no profit to be gained from endless looking or waiting for a job. Now idling about pays double indemnity.

When George Bush was confronted with growing unemployment a year before his term was up, he extended the term length of benefits. No surprise that joblessness became an even greater problem.

We could yet see this program explode out of control. It has been a long time since we have had a serious and sudden all-round recession. When that happens again—and it will, thanks to the Federal Reserve—and as many people begin drawing on their insurance as are eligible, we could see a fiscal crisis and a deepening and spiraling loss of jobs.

Such a situation would look very much like a bank run. Every one will want what has been promised by the insurance scheme. But everyone will know that all the claims cannot be paid out without bankrupting the Treasury, or hyperinflation.

Social Security

Government still has another policy to sell you. It insures you against old age. In the old days, the best protection against poverty in the older years was saving and a large family. But Social Security—the most insidious form of government insurance—did away with some of the need for private savings or marriage and children. And like the other forms of government insurance, it was a welfare program that created a new class of state dependents.

Today, Social Security is widely recognized as a Ponzi or pyramid scheme. It is insurance fraud on a massive scale. Recipients get checks for far more than they paid in. What is this? Quadruple indemnity?

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Social Security and Medicare have turned the people that society ought to look toward for leadership and wisdom—the elderly—into social pariahs with lobbies demanding handouts at the expense of the next generation.

Ronald Reagan and Alan Greenspan "saved" Social Security in the early eighties by raising taxes, but everyone knows that the system will eventually burn itself out. What young person today believes that Social Security is going to care for him in his old age?

Social Security, in other words, is going bankrupt. Good, I say. Maybe that will cause people to start having children and saving their money again. Maybe that will cause the middle class to sever this most insidious dependency relationship with the State.

Squandered Resources

The current administration had another policy it wanted to sell you: access to health care at very little cost. Of course, this promise was a fraud. It was as fraudulent as the claim made by a murderous couple against the insurance company. Except that it would be the middle class being pushed off the train, and the government collecting the benefits.

Whether the government is providing insurance for banks, workers, the elderly, or the sick, the mechanism is always the same. Premiums do not match risks, payers end up getting looted, beneficiaries transfer their loyalty to the State, and massive quantities of public and private resources are wasted.

If you see this in private markets, chances are that illegal fraud is involved. If you see this in the public sector, chances are that legal fraud is involved. Despite promises to the contrary, the middle class is the ultimate victim of this subversive form of welfare provision.

The insurance industry is a respectable market institution. It provides services for people at profit, like any business. What the government calls insurance works like anything else the government does. It takes other people's property by force and deception, and uses it to gain more power for itself.

So long as we know the difference between true and false forms of insurance, we can know insurance fraud when we see it. And maybe someday, we can make the government's managers and employees pay a double indemnity out of their own pockets for this crime. □

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Dr. Hans Sennholz, President of FEE

Dr. Lawrence Reed, President of The Mackinac Center

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Globalism and Sovereignty: A Short History of the Bricker Amendment

by Thomas E. Woods Jr.

Historically, conservatives and libertarians have always maintained a suspicion of supranational governing bodies. Their central fear has been that foreign bodies may serve to compromise self-government and American liberties in favor of egalitarian and universalist political goals.

Closely related to this fear were misgivings about the steady accretion of power in our own executive branch. American conservatives maintained that socialist projects dreamed up by global bureaucrats would be held at bay if Congress, the branch of government closest and most accountable to the people, made a determined stand for American independence. If too much control over the direction of foreign affairs were concentrated in the executive, questions of such grave import might be placed beyond the reach of popular opinion.

The coupling of executive power with an internationalist political agenda became a force on the American political scene soon after the ratification of the United Nations treaty. It quickly became clear that President Harry Truman favored a strong executive. His 1952 seizure of U.S. steel mills and his actions in Korea seemed to justify conservative apprehensions.[1] In the latter case, Truman argued repeatedly that the United Nations Charter was a treaty he had the duty to execute, and whose authority obviated the need to consult Congress for a declaration of war. If Truman could invoke the Charter to justify a measure as serious as the deployment of American troops abroad, many conservatives wondered, might he not appeal to the same authority to implement wide-ranging initiatives of social reconstruction?

Acutely aware of such concerns, the American Bar Association (ABA) and its president, Frank S. Holman, laid the intellectual groundwork in the late 1940s and 1950s for what would become the Bricker Amendment. Holman, an early opponent of the New Deal and an outspoken champion of states' rights, viewed supranational institutions with distrust. In 1948, he ordered the ABA's Committee on Peace and Law through the United Nations to assemble reports on several UN-proposed treaties—the Statute of the World Court, the Genocide Convention, the Freedom of Information Covenant, the News Gathering Convention, and the Covenant of Human Rights—with respect to their potential impact on American sovereignty. Alarmed by

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the results, the ABA in 1952 endorsed the idea of a constitutional amendment that would safeguard the Constitution from erosion by international treaty.[2]

Missouri v. Holland

Many of the concerns shared by the ABA and other proponents of what would become the Bricker Amendment can be traced to the obscure and seemingly innocuous case of *Missouri v. Holland* in 1920. Its rulings on state regulation of the treatment of certain species of migratory birds were ripe with significance for the future conduct of American foreign relations.

The dispute dated back to 1913, when Congress passed a measure establishing federal regulations over the killing, capturing, or selling of such birds. At the time, federal courts ruled it a usurpation of rights reserved to the states under the Tenth Amendment. But when President Woodrow Wilson codified these regulations in a 1916 treaty with Great Britain, the Supreme Court upheld them by citing the so-called supremacy clause of the Constitution. The Court concluded that if "the treaty is valid there can be no dispute about the validity of the statute . . . as a necessary and proper means to execute the power of the Government."[3]

The decision was a fateful one, for it would be cited in several subsequent cases that served to expand the power of the central government.[4] Decades later, in the wake of U.S. ratification of the United Nations Charter, the precedent set in *Missouri* and subsequently elaborated in *United States v. Pink* (1942) took on a profound significance. The Charter had been ratified with the explicit assurance that it authorized no UN interference in the domestic concerns of the United States, or of any other member nation. There can be little doubt that the United States would never have lent its support had the document not contained such a stipulation. These Court decisions, however, raised difficult questions regarding that portion of American sovereignty that UN membership may have forced the United States to relinquish.

It would not be long before these precedents would be invoked by American social reformers to justify progressive legislation or the abolition of state and local infringements on what the UN considered "human rights." Only a year after the ratification of the Charter the left-wing National Lawyers Guild, citing *Missouri v. Holland,* concluded that lynching fell under federal jurisdiction and hence anti-lynching legislation within federal authority, on the grounds that such legislation would serve to satisfy America's human-rights obligations under the United Nations Charter.[5] Nor were such arguments limited to left-wing groups. In 1948, four Supreme Court justices offering concurring opinions in the case of *Oyama v. California* cited the UN Charter as a rationale for the abolition of a California law that restricted land ownership among aliens ineligible for citizenship, since in practice it applied only to Japanese aliens. Two years later, the companion case of *Sei Fujii v. California* yielded a similar outcome.[6]

A conservative backlash against such developments was not long in coming. The constitutional ruminations of the National Lawyers Guild and some of the legal reasoning employed in *Oyama* and *Fujii* may well have been isolated cases, but they were rich enough with implications for state autonomy to alarm right-wing congressmen who were notoriously protective of local liberties.

Senator Bricker's Efforts to Safeguard American Sovereignty

One such legislator was the fiery Senator John Bricker of Ohio. For several months, Bricker had closely followed the discussions in the *American Bar Association Journal* regarding the ambiguity of the supremacy clause of the Constitution.[7] If any senator could have been expected to act on such concerns, it was John Bricker. In 1951, he had introduced Senate Resolution 177 in opposition to the proposed International Covenant on Human Rights, which the UN had unsuccessfully attempted to draft since

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1949. The attempt to foist a legally binding covenant on the nations of the world, Bricker maintained, demonstrated beyond any doubt that the United Nations was attempting to establish itself as a world government. The Covenant, he insisted, "would be more appropriately entitled as a Covenant on Human Slavery or subservience to government. . . . [T]hose who drafted the Covenant on Human Rights repudiated the underlying theory of the Bill of Rights—freedom to be let alone."[8] Significantly, Bricker cited the *Fujii* case as evidence of the ominous potential of UN authority over American domestic policy.[9]

In early 1952, Bricker decided that the rights of the states and the people were sufficiently imperiled to warrant the otherwise extreme recourse of introducing a constitutional amendment to safeguard them. In his view, the jurisprudential trends exemplified in *Oyama* and *Fujii* gravely jeopardized the integrity of "existing laws which are in our Bill of Rights and our Constitution, thereby forcing unacceptable theories and practices upon the citizens of the United States of America."[10] For this reason, he warned, a constitutional amendment was critical to the long-term health, independence, and sovereignty of the American republic.

The Bricker Amendment contained several crucial provisions. First, any provision of a treaty that conflicted with the letter of the Constitution would be rendered null and void. Second, a treaty would become effective as internal law only with the passage of appropriate legislation by Congress; that is, treaties would not be self-executing. Finally, the Amendment would rein in the executive with the requirement that all executive agreements between the President and any international organization or foreign power "be made only in the manner and to the extent to be prescribed by law." Such agreements "shall be subject to the limitations imposed on treaties, or the making of treaties." This stipulation would ensure that the executive could not evade the requirements for treaties merely by signing executive agreements instead.[11]

The Amendment's supporters hoped that these provisions would clear up the ambiguity in the Constitution over the exact implications of the claim in Article VI that "[t]his Constitution and the laws of the United States which shall be made in pursuance thereof and all treaties . . . shall be the supreme law of the land . . . anything in the Constitution or laws of any state to the contrary notwithstanding." In the pages of *The Freeman,* Frank Holman described the Amendment as necessary to preserve "our basic rights as protected by our own Constitution and the Bill of Rights."[12]

The Amendment would obviously strike a forceful blow against members of Congress who may have wished to cite the Charter when drafting civil-rights measures.[13] In hearings held to discuss the Amendment, Eberhard Deutsch, a member of the ABA's Committee on Peace and Law, cited the dangers of the *Fujii* case and suggested that without passage of the Bricker Amendment, the American Left could well hold "that the entire civil rights program has already effectively been imposed on the United States through the United Nations Charter itself, without the need for any congressional action whatever."[14]

While the Bricker Amendment earned the contempt of influential members of the Washington Establishment, the libertarian journalist Garet Garrett recognized its populist origins. What was really at stake, Garrett insisted, was the people's ability to have a voice in the kind of international agreements that would be binding on them, and the protection of everyone's constitutional rights from the whims of executive fiat. "The people are told they know not what they do," he wrote. "They would weaken American leadership in the world and perhaps destroy mankind's hope of peace. But all they wanted was simply to be let alone."[15]

The editors of the conservative weekly *Human Events* agreed with Garrett, gratified by the outpouring of support for the Amendment by ordinary Americans. Early in 1954 the editors exulted in the success of "The Vigilant Women of the Bricker

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Amendment," who had established regional coordinators in 39 states and whose officers succeeded in bringing 500,000 signatures to Washington.[16]

Ultimately, the George Amendment, a watered-down version of Senator Bricker's original proposal, failed by one vote to receive the necessary two-thirds majority of the Senate.

A good many Republicans, upon learning of the Eisenhower Administration's staunch opposition to the Amendment, withdrew their support out of loyalty to the President. Not surprisingly, the vast majority of the most liberal senators in each party—whom the Old Right *Chicago Tribune* contemptuously described as "all the New Dealers"—also voted against it.

Positive Effects of the Bricker Amendment

Some conservatives maintained that all was not necessarily lost. Indeed, the Bricker fight may itself have had some positive effects on the conduct of U.S. foreign policy. John Foster Dulles, for example, hoped that the State Department's refusal to ask for ratification of the Genocide Convention and its decision to end the U.S. role in securing a universal human rights covenant would help to mollify supporters of the Bricker Amendment.[17] President Eisenhower, moreover, proved himself reasonably trustworthy in his handling of foreign affairs, consulting Congress during crises in Indochina in 1954, the Far East in 1955, and the Middle East in 1957—perhaps in part as a consequence of John Bricker's efforts and the popular support they received.

Free-market economist Henry Hazlitt even remained cautiously optimistic of future victory. One way to carry on the struggle, he proposed, would be to introduce a new amendment by which the House of Representatives, as "the body that most directly represents the people," would be given a voice in treaty ratification. Since House members, more than their colleagues in the Senate or in the other two branches of government, were subject to swift removal by an angry populace, Hazlitt believed that they would be less likely to compromise American sovereignty. By shifting some of the authority over ratification to the House, the people would have much greater recourse if they believed their rights had been threatened by international treaties.[18]

Others were less sanguine. The editors of *The Freeman* lamented that the defeat symbolized the ascendancy of the Cold War notion that old-fashioned republican, constitutional government had grown outmoded and even dangerous for the United States, and that the President needed "great freedom of action" in foreign affairs. "Freedom from what?" asked the editors. "Well, freedom from the slow and meddlesome restraints of Congress, freedom from the bickerings of partisanship, freedom from a too narrow interpretation of the Constitution, and, above all, freedom from the anticries of the people."[19]

The story of the Bricker Amendment is more than a historical curiosity. The 1990s have witnessed a renewed assault on American sovereignty. We have seen the ratification of trade agreements whose supranational commissions seek to exercise a kind of veto power over American trade, labor, and environmental policy. Just last year, the UN met to determine the "rights" of women and children around the globe. Before that, global functionaries were busy with plans to dictate the environmental policies of every nation on the planet.

Today the treaty power poses as grave a threat to self-government as ever before. The voices that speak for American independence are few and far between. As the twentieth century comes to a close, post-Cold War America awaits its John Bricker. □

1. Duane Tananbaum, *The Bricker Amendment Controversy: A Test of Eisenhower's Political Leadership* (Ithaca, N.Y.: Cornell University Press, 1988), p. 49.

2. Terence L. Thatcher, "The Bricker Amendment, 1952–54," *Northwest Ohio Quarterly* 49 (Summer 1977): 107–108.

3. *Missouri v. Holland*, 252 U.S. 416 (1920).

4. The fears of strict constructionists over the implications of this crucial case are reflected in the very title of Forrest

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Black, "*Missouri v. Holland*—a Judicial Milepost on the Road to Absolutism," *Illinois Law Review* 25 (1931): 911–28.

5. Tananbaum, p. 85.

6. Duane Tananbaum, "The Bricker Amendment Controversy: The Interaction Between Domestic and Foreign Affairs" (Ph.D. diss., Columbia University, 1980), pp. 102–108.

7. Thatcher, p. 108.

8. U.S. Congress, Senate, *Congressional Record*, 82nd Cong., 1st sess., 1951, 97, pt. 6: 8255.

9. U.S. Congress, Senate, *Congressional Record*, 82nd Cong., 1st sess., 97, pt. 6: 8261-8262.

10. U.S. Congress, Senate, *Congressional Record*, 82nd Cong., 1st sess., 97, pt. 9: 11361. The quotation is taken from a resolution adopted by the Tampa Rotary Club, the text of which Senator Bricker inserted into the *Record*.

11. Tananbaum, *The Bricker Amendment Controversy*, p. 223.

12. Frank E. Holman, "American Rights vs. 'Treaty Law,'" *The Freeman* 3 (August 10, 1953): 803–805.

13. Tananbaum, "Domestic and Foreign Affairs," pp. 283–84.

14. U.S. Congress, Senate, Committee on the Judiciary, *Treaties and Executive Agreements, Hearings*, 82nd Congress, 2nd session, 1952, pp. 46ff.

15. Garet Garrett, "Nullification by Treaty," *The Freeman* 3 (May 4, 1953): 549–50.

16. "The Bricker Fight," *Human Events* 9 (January 27, 1954): 1–2.

17. Tananbaum, "Domestic and Foreign Affairs," p. 290.

18. Henry Hazlitt, "Give the House a Treaty Vote," *The Freeman* 4 (April 5, 1954): 479–81.

19. "A Question of Sovereignty," *The Freeman* 4 (March 22, 1954): 439–40.

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Born Again: The Resurgence of American Prohibition

by Mark Edward Lender

Seventy-six years ago, America outlawed beverage alcohol. Initially popular, national Prohibition eventually collapsed amid a chorus of public resentment. The nation learned then what we know now: Prohibition doesn't work.

For all of its good intentions, prohibitionism is fatally flawed as public policy. It injects government into private lives. It makes criminals out of law-abiding citizens. And it tramples on our heritage of individual freedom and responsibility.

Yet prohibitionism is alive and well. In fact, the nation could be on its way to making some of the same mistakes it made during the 1920s. This time the target isn't alcohol, it's tobacco.

No one with any sense is calling for a constitutional amendment against smoking. But prohibition doesn't require such a drastic step. In 1920, when the nation voted for Prohibition, the majority of districts in America were already dry. Local option laws, temperance publicity, and tax policies had produced a de facto or "backdoor" prohibition in most of the country.

Professor Lender is Director of Advanced Study and Research at Kean College of New Jersey and a Visiting Professor at the Rutgers University Center of Alcohol Studies. He is co-author of Drinking in America: A History *(Free Press, 1987) and he has written widely on prohibition. With James Kirby Martin, Lender is completing a history of the controversies over alcohol and tobacco reform for New York University Press.*

Similarly, smoking now faces "backdoor" prohibition. Restrictions on advertising, increasing bans on smoking, FDA efforts to regulate tobacco products, assaults on the tobacco industry, and abuses heaped on smokers all have the ring of the old crusade against Demon Rum.

Prohibition has never been just about drinking or smoking. Most reformers have wider social agendas. And the risk-free society some seem bent on creating today looks a lot like the perfectionist idealism of a century and more ago. Ardent drys were not content to mitigate problems; they wanted a nation fully cleansed of its "evils."

The same is true today, despite evidence that intrusive legal remedies are unnecessary. Drinking declined before Prohibition. Under the impact of temperance education, millions of Americans voluntarily gave up the bottle well before the first dry laws. Yet anti-liquor crusaders drove on, unwilling to tolerate *any* drinking. Today, the anti-smoking crusade persists despite declines in smoking. Since the 1964 Surgeon General's Report, perhaps 40 million or more have quit. But the legal quest for social perfection continues; voluntary choice doesn't suit the reform mentality.

Unfortunately, prohibitionism has degraded public discourse. Zealous to eliminate drinking, drys eventually demonized drinkers. The current anti-tobacco movement has targeted smokers for similar treat-

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Carry Nation, hatchet-wielding crusader for American temperance.

ment. The matter goes well beyond forcing smokers to huddle in doorways; it has struck at the ability of the nation to conduct a civil public policy debate.

All too often reformers have let advocacy outrun evidence. Their claims of addiction are a case in point. Temperance zealots insisted that all drinking led to addiction. This was obvious nonsense, and the public ultimately called them on it. Similarly many smokers may find it hard to quit, but millions have quit. Exaggerated claims of addiction are the rhetoric of a movement determined on victory at all costs.

How far will the logic of prohibition extend? Using arguments similar to those employed against drinking and smoking, a few social critics already have targeted strong perfumes because they offend others or trigger allergies. Some would tax low-nutrition foods because those who eat them could pose a burden on the health-care system.

The implications of these prohibitionist initiatives are staggering. Heart disease remains America's greatest killer, so should we tax beef or eggs because of their cholesterol content? Do we ban suntanning because it causes cancer? Or any other personal behavior because someone else has determined that it is not good for us?

However well-meaning its goals, the results of prohibition have been disappointing. In the early 1920s, national Prohibition posted only short-term successes in reducing drinking and alcohol-related problems. Illegal markets grew steadily. Consumption levels climbed. So did disrespect for the law and the corruption of law enforcement.

Severe anti-tobacco regulations could lead to the same kinds of trouble. It is clear that illegal markets will fill any void created through cigarette bans. In 1993, for example, Canada imposed draconian cigarette taxes in an effort to discourage smoking. Smugglers were soon supplying about one-third of all Canadian cigarette sales. Michigan tried to tax tobacco into extinction a year later and saw citizens turn to bootlegged products. Moreover, serious First Amendment issues have arisen from efforts to curb tobacco advertising. Unreasonable legal and regulatory attacks on behavior as personal as smoking and drinking have caused at least as many problems as they have solved.

Clearly the excesses of prohibitionism are unnecessary. Today, the public is served well through educational campaigns. These are noncoercive and they work: witness the dramatic decline in smoking after 1964.

Furthermore, all states and many cities have laws against tobacco sales to children. These should be enforced. The consistent application of such laws does not inhibit the free choice of adults. Yet it may serve to eliminate an emotional propaganda theme among anti-tobacco zealots.

America is a democracy and Americans can obviously ban behavior that they find objectionable. They have in the past. They may again. Before they do, they should be aware of the damaging implications of banning tobacco. And we all should be honest enough to call it what it is—prohibition. □

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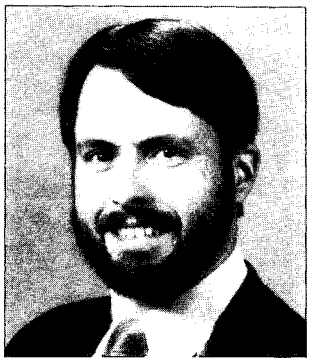

That Taxing Time of Year Again

Despite their extended budget wrangling, the two major parties agree on one thing: Social Security is sacrosanct. Taxpayers are suffering as a result.

Today government takes more in payroll than income taxes from many people. The 15.3 percent levy effectively doubles the marginal tax rate for those with modest incomes. Moreover, the payroll tax is highly regressive, since top wage earners pay nothing on most of their salaries and those relying on investment income are exempt. The Social Security tax also acts as a direct penalty on job creation.

Alas, it's not just the tax that is flawed. The program itself is a public Ponzi scheme built on a financial foundation of unfunded liabilities. Early next century Social Security is likely to hit fiscal reality and collapse.

The Washington, D.C.-based Tax Foundation recently detailed the bad news for recipients. According to economist Arthur Hall, "most members of the baby-boom generation—those born between 1946 and 1964—can expect to lose money on Social Security when it is viewed as an investment for retirement." That's bad enough. But if Congress does what comes naturally, adopt short-term palliatives rather than address fundamental problems, the news will get uglier. Explains Hall: the negative returns "will almost certainly become worse if lawmakers enact traditional reforms to keep the Social Security system from going broke in the year 2029." That is, in a desperate attempt to preserve the system Congress is likely to hike the taxes on and cut benefits for baby-boomers. Hall figures that a typical 36-year-old would then suffer a nearly two percent negative rate of return. And that's just the average. The same age high-earner would enjoy a negative three percent return. It adds new meaning to the line, "I'm from the government and I'm here to help you."

Even these numbers understate the magnitude of Social Security's bad deal. A better measure is to compare the annual after-tax Social Security benefit with the private, after-tax annuity that could be purchased with the same employee/employer "contribution." A 36-year-old, low-wage worker would receive $52,132 (for a couple, after taxes), compared to an annuity of $58,664. The difference is not just an extra 12.5 percent year- in and year-out, however. When a worker dies, Social Security benefits cease, while the annuity's principal remains. For a low-wage worker that would be a savings of *a half million dollars or more.* The gap for a high-wage worker is even greater: annual after-tax earnings of $101,014 versus $137,530, respectively, or 36 percent more for private retirement. Plus principal worth between one and two million dollars. Looked at another way, William Shipman of State Street Global Advisors in Boston figures that even a low-income worker entering the market today would

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Mr. Bandow is a Senior Fellow at the Cato Institute and the author of The Politics of Envy: Statism as Theology *(Transaction).*

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earn up to three times as much investing in the stock market.

Social Security taxes would have to be cut up to 30 percent, depending upon the recipient's income and age, to accurately reflect the annuity value of the expected benefits. As Hall says with admirable understatement: "most boomers will pay too much for their Social Security." Indeed.

However, this entire discussion assumes that Social Security survives. Round about the year 2013 (if current estimates hold, and they have always been too optimistic in the past) outgo will begin to exceed income. By 2030, admits the Social Security Administration, the system will be running in the red. But the news gets worse. The $3 trillion surplus supposedly accumulating in the Social Security trust fund to pay benefits between 2013 and 2030 doesn't exist. Social Security merely possesses federal bonds representing cash spent. To redeem those bonds—in order to pay retirees, as promised—will require some combination of massive borrowing, tax hikes, and benefit cuts. That's only the start of the fun, however. By 2070 the annual flood of red ink will be $7 trillion. In fact, between 2010 and 2070 the system is committed to paying out *$140 trillion* more than it is projected to take in. Oh, well . . . .

A Flawed Program

The basic problem with Social Security, which no one in Washington wants to admit, is that the program is flawed in its conception. It should never have been created. Government has no right to redistribute income, even if the beneficiaries are elderly. Nor is there any cause for Uncle Sam to guarantee everyone's retirement. People have a responsibility to make themselves financially secure; families have an obligation to care for their older generations. The burden does not belong on taxpayers.

What of those who are incapable of caring for themselves through no fault of their own? Associations, businesses, churches, individuals, and neighborhoods should all help look after those in need. If there is a proper role for government, it comes next, as a last, rather than a first, resort. It is not Social Security, which recipients view as a matter of right and treat as their primary retirement income.

Of course, when Franklin Roosevelt established Social Security in 1935, benefits were far more modest. But an election-minded Congress raised payments by 25 percent in 1972 alone. Demographics has also transformed the program. In 1935 life expectancy was only 62—three years less than the eligibility age for full benefits. It has since risen to 76. In short, Roosevelt kept Social Security cheap by ensuring that many Americans—almost half of men and 40 percent of women—died before receiving their first check!

Then there's the bulge of 76 million baby-boomers who start retiring around the year 2010. As late as 1945, 42 workers supported every retiree, which allowed taxes to be fairly low. The ratio today is 3.3, and early next century it will be less than two. In sum, Social Security has more people collecting more benefits for more years. It's no wonder, then, that the system is hurtling towards financial disaster.

As people tote up their tax bills, they should contemplate the future. Without change, the combined Social Security tax rate will have to be raised to upwards of *40 percent*—that's in addition to income tax levies to pay for the rest of government. Conventional remedies are a mixture of more modest tax hikes combined with benefit reductions, such as raising the retirement age, capping cost-of-living-adjustments, and modifying spousal benefits. These would help put off fiscal Armageddon. However, as Hall points out, they would also worsen the deal for baby-boomers.

Opting Out

The only way to simultaneously avoid generational war and treat baby-boomers fairly is to allow workers to opt out of Social Security. Radical though this may sound, in 1981 Chile created just such a system. More

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than 90 percent of citizens now invest in private pension plans rather than participate in the government program. Hall proposes a similar approach: baby-boomers would receive a government bond worth their employee/employer contribution (adjusted for inflation), which could be used at retirement to purchase a private annuity. It would be even easier to design an escape mechanism, such as tax credits for IRA contributions, for younger workers. The specific details matter less than returning to people control over their retirement futures.

April 15th will continue to be a taxing time of year as long as Americans expect Uncle Sam to play a combination of fiscal Santa, national nanny, and global cop. Unfortunately, the burden will grow far worse unless officials begin planning to replace rather than save Social Security. □

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THE FREEMAN
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Creative Destruction—Again

by David N. Laband and John M. Wells

Whose heart bleeds for the virtually nonexistent blacksmith? In 1900, there were 226,477 blacksmiths counted by the U.S. Census. Today the number is negligible. Who laments the slide into occupational oblivion by tallow-renderers? The invention of electricity and electric lights killed off the candle-making industry. Henry Ford almost singlehandedly wiped out buggy manufacturers (as well as cartwrights and wheelwrights). Have the violins stopped playing yet?

The recent announcement by AT&T that company management intends to eliminate 40,000 jobs over three years sent shock waves through New Jersey, in which a large number of the job losses are anticipated, while precipitating a 5 percent jump in the price of AT&T stock over a two-day period. Media reaction to the announcement was predictable: interviews of wary workers likely to lose their jobs filled newspapers and the airwaves. The anticipated human misery makes for good copy and even better 60-second sound bites. Yet to focus attention on this aspect of the job losses and not on the underlying causes and consequences is to completely overlook one of the most fundamental and positive aspects of America's market economy: job destruction for a relative few is a by-product of a vibrant economy that enhances the welfare of many millions of individuals.

Dr. Laband is Professor of Economics at Auburn University in Auburn, Alabama. Dr. Wells is an assistant professor of economics at Auburn.

Typically, in a growing economy, job losses result from two sources: competitive pressures that force firms to economize on production costs, and technological developments that either improve the production process of firms or lead to the marketing of new products that make other products "outmoded." Both lead to structural unemployment and associated hardship for the adversely affected individuals.

When the media focus only on individual hardships, they fail to consider the long-term economic consequences of the job losses. Lost is the fact that literally millions of Americans' lives are enhanced by virtue of the lower prices they pay for goods and services they consume and by virtue of the new, perhaps revolutionary, products that previously were unavailable. As Joseph Schumpeter pointed out in *Capitalism, Socialism and Democracy*, "[t]he opening up of new markets, foreign or domestic, and the organizational development from the craft shop and factory to such concerns as U.S. Steel illustrate the same process of industrial mutation—if I may use that biological term—that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one. This process of Creative Destruction is the essential fact about capitalism."

The value of the aggregate economic enhancement to millions of lives utterly swamps the aggregate economic suffering of displaced workers. An example is illustrative. Suppose that, in the aggregate, each

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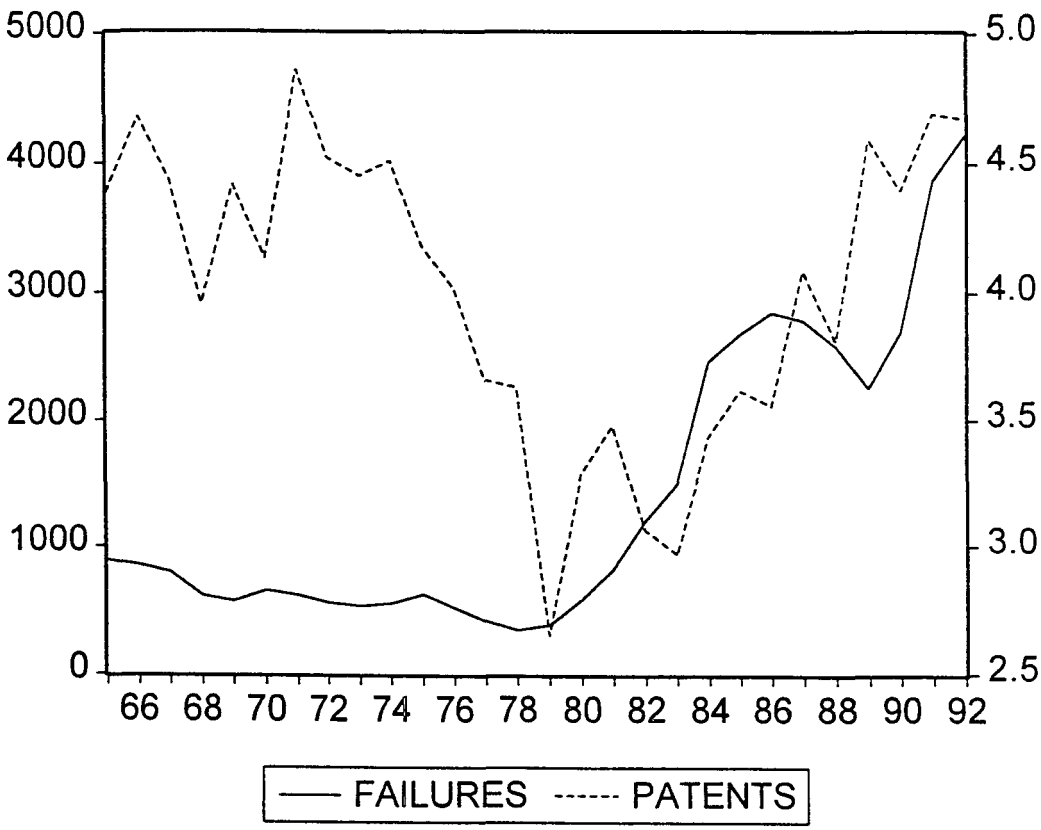
individual in America will gain the equivalent of $10 worth of added value to his/her life each year from price cuts and new products produced in 1996, and that, again in the aggregate, the developments that promoted these gains by consumers were achieved at a loss of 100,000 existing jobs. With 260 million (or so) consumers, the aggregate well-being of Americans increases by some $2.6 billion.

In truth, the typical consumer probably gains far more than $10 worth of added value to his life (especially in a present-value sense) from the introduction of new products and services, as well as by development of new methods of production that lead to price cuts on existing merchandise. Think of the enrichment to human lives generated by computers and word processors, microwave ovens, fax machines, automobiles, airplanes, radios and televisions, washing machines, disposable diapers, electricity, hearing aids, contact lenses, pharmaceutical drugs, and so on. The average American probably values these advances to the tune of thousands, if not tens of thousands or even hundreds of thousands of dollars, each year.

Moreover, the job losses suffered by displaced workers are typically temporary. These individuals (or others who might have followed them into their old employment) develop new skills that contribute to the production of other, valuable goods and services.

Who weeps for the nearly 37 percent of Americans who no longer are engaged in farming? In 1900 nearly 40 percent of all workers were engaged in farming; today that fraction is less than 3 percent. Did the lost jobs impoverish America? Were job losses in the agricultural sector "bad"? Of course not. Far from reflecting evil times in agriculture, occupational flight from farming reflected simply stunning gains in farm productivity during the first half of the twentieth century. The fact that it took only three Americans per 100 workers to feed America



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in 1995 rather than the 40 in 1900 reveals prosperity that freed up 37 percent of our workforce to pursue other types of productivity: designing and building automobiles and aircraft, communications systems, electric power systems, developing new medical procedures and drug therapies, and inventing new products and processes by the thousand that contribute to a standard of living in 1996 that could perhaps barely be imagined in 1900.

A comparison of measures of innovative activity over time against measures of business failure over time reveals the essential relationship between creation of new products and processes and the obsolescence and death of old products and processes. The dotted line in the figure on page 211 depicts the number of per capita (times 1,000) new inventions patented over the 28-year period, 1965–92, inclusive; the solid line represents per capita (times 1,000) business failures. Over the first half of this period (roughly 1965–77), the intensity of innovative activity falls, as does the incidence of business failures. By contrast, during the more recent 15 years (1978–92), the incidence of innovative activity has generally been rising, accompanied by a general increase in the incidence of business failures. Obviously, there are many factors that influence both the pace of innovative activity and business failures, so an exact relationship between these two data series may be hard to define specifically. Nonetheless, the two graphs suggest, at a minimum, that the innovative activity that is so vital to enhanced economic well-being over time is associated positively with the obsolescence of products and industries that, in turn, leads to displaced workers.

Government Regulation

Government regulation tends to exacerbate the job destruction associated with innovative activity. This is because the effect, if not the intent, of many government regulations is to insulate the affected industries from competition. This creates conditions under which domestic firms not only charge higher prices to consumers than would exist in a more competitive environment, they lack incentive to produce efficiently. Additional innovative activity by potential competitors eventually breaks down the barriers imposed by regulation. When this occurs, high-cost, regulation-driven firms are forced suddenly to compete with low-cost, efficient, consumer-oriented firms. The result tends to be quite sudden, massive layoffs in the affected industries, as opposed to the more measured and continuous labor force adjustment that firms would undertake in a more competitive environment.

The fact that we are now experiencing declining unemployment with little evidence of any upward pressure on inflation is puzzling to many economists, as well as non-economists. We believe that this is not surprising at all, given the constant economic metamorphosis that characterizes the modern American economy. The dual processes of innovation and re-engineering production imply continuous job creation as well as job displacement, and an expanding economy with little inflationary pressure. The announced job reductions at AT&T and other large (and small) firms may not make the displaced workers rejoice, but they should make everyone else feel pretty good. □

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THE FREEMAN
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Jack the Radical

by Alastair Segerdal

In the late nineteenth century, despite fabulous wealth, gracious living, and an industrial revolution that had reached the far corners of her empire, Britain was also an island of social unrest. Working-class discontent with poverty and disease was fueling the rise of socialism, and new doctrines were calling for revolution and an end to the monarchy. Parliamentary controversy over the age-old "Irish Question" was bitter as rioting from the Emerald Isle spread to the not-so-United Kingdom. Its capital, London, was a city of great commerce, high fashion, and sophisticated culture—a city of wealthy gentlemen and gentle ladies, their children attended by nannies as they played in Hyde Park.

London was also a city of unfathomable poverty. Its East End housed nearly a million hungry and impoverished souls living in cramped filth. Although working conditions had improved in Britain since the early days of the Industrial Revolution, working-class discontent in London had been building up since the late 1870s. Inspired by Karl Marx, who lived and wrote in London, the growing voices of socialism were eager to boost this discontent, and by 1886 things turned violent. In early 1886, one of the coldest winters on record caused such hardship that, despite the subnormal temperatures, thousands of out-of-work men and women from the East End docks gathered in Trafalgar Square to hear violent speeches from eminent socialists. Meanwhile, thousands more protesters went on a rampage of property damage and looting as rioting spilled over into the residential environs of upper-class Mayfair and the upscale West End shopping districts of Oxford Street, Regent Street, and Piccadilly.

On November 13, 1887, Queen Victoria's Jubilee year, a battle known as "Bloody Sunday" erupted in Trafalgar Square when 100,000 demonstrators, including George Bernard Shaw and the poet William Morris, fought with four thousand police constables. Three months later, another Trafalgar Square riot prompted Queen Victoria to write to the prime minister, William Gladstone: "The Queen cannot sufficiently express her *indignation* at the monstrous riot which took place the other day in London, and which risked people's lives and was a *momentary* triumph of socialism and disgrace to the capital."

London's East End was vilified and ignored, yet despite the anger and disruption, Britons of all classes possessed an inbred distaste for revolutionary ideas designed to overthrow the established order. No matter how poor and impoverished, British working men and women cherished their freedom of speech and right of assembly. Continental-style government regimentation was anathema to this island race. Violence, when it did take place, was not seen by the Left as enhancing the road to reform. They realized that fear of the mob would never inspire the middle and upper classes to comprehend the plight of the poor. The

Mr. Segerdal resides in Glendale, California, where he is a writer.

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socialist-minded and their brethren in the press knew that education via speeches and the written word was the only viable means of impingement. By 1888, London's radical press, aware of its growing power to focus attention on the capital's social problems, was constantly on the lookout for a new socio-political drama, preferably one guaranteed to increase circulation and vindicate their left-wing rhetoric. Little did their editorial offices know that before the year was out, a gruesome saga was to present them with the campaign opportunity of a lifetime.

It began as the hot English summer of 1888 drew to a close. Police Constable John Neil, a London policeman with badge number 97 and tired feet, trudged his night beat along Buck Row, a dirty little side street in Whitechapel in the East End of London. Most of the drunks, drifters, and ladies of the night had disappeared as dawn approached on this last day of August, and the only sound along Bucks Row was the slow, steady gait of Police Constable Neil. The assurance of a London bobby's footsteps gave way to an eerie silence as he stumbled on the body of a woman. She had been murdered, but this was no ordinary killing. Mary Ann Nichols had been savagely disemboweled. Poor Annie Chapman met a similar fate on the night of September 8 and three weeks later, on the night of September 29–30, two more wretched souls, Elizabeth Stride and Catherine Eddowes were added to the chain of death, horribly mutilated and displaying similarities to the previous victims.

On October 1, the newspapers ran the story together with the complete text of two letters which had been posted to the London Central News Agency. Both were written in deep red ink and signed under a name that activated the strangest left-wing campaign of all time.

"Dear Boss"

The first letter was addressed to "The Boss, Central News Office, London City," and opened with: "Dear Boss, I keep on hearing the police have caught me, but they won't fix me just yet." The text continues to boast and taunt, ending off with: "Keep this letter back till I do a bit more work, then give it out straight. My knife is nice and sharp. I want to get to work right away if I get a chance. Good luck. Yours truly, Jack the Ripper." Part of a postscript read: "Don't mind me giving the trade name." The letter is well written and a careful study of words like "won't" and capital letters after a period show proficiency in punctuation. The phrase "give it out straight," an Americanism used by newsmen on both sides of the Atlantic, is the first hint that the writer might have been a journalist. Both letters used the word "Boss," another Americanism familiar to those with close ties to the United States and the internationally minded London press, but not to the broad population and working classes of nineteenth-century England.

The second letter (sent as a postcard) was particularly daunting because it referred to the September 30 double murder in great detail, apparently before these details were fully known to the police and released to the press: "I was not codding [sic] dear old Boss when I gave you the tip. You'll hear about Saucy Jacky's work tomorrow. Double event this time. Number one squealed a bit. Couldn't finish straight off. Had not time to get ears for police. Thanks for keeping last letter back till I got to work again. JACK THE RIPPER." Once again, observe the correct punctuation as in "You'll" and in the possessive "Jacky's." Note the capital S and J in "Saucy Jacky." And note the clipped newspaper-style giveaway in "Had not time to get ears for police." It was written in the same handwriting as the first letter, and because it recounted the contents of that letter, both were obviously penned by the same person. Yet details of these crimes were not publicly known until October 1, when newspapers published them. So, it was argued, both letters were not only from the same person (which was true), but must have come from the real killer.

What was not published was the fact that a barely visible "OC 1" postmark existed on

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the address of the second letter. (The postal service in Central London was very fast, and a letter mailed early in the morning was guaranteed delivery by lunch or early afternoon.) In other words, it was posted after details of the double murder were already in the newsrooms. It also suggests that the writer might have worked at the Central News Agency since the letters themselves were not handed around for other publishers to inspect physically, with the possible exception of the radical *Star*.

Furthermore, the function of the news agency was to deliver news items to newspapers and magazines who subscribed to its service (rather like today's Associated Press), and it is highly unlikely that a serial killer in a working-class district would have known of this function, or even have heard of the agency. Like most serial killers, he would probably have written to one paper only, or taunted the police with notes which might never be made public. On the other hand, a journalist would understand that spicy information addressed to the news agency would generate maximum publicity. Once the name had appeared in print, hundreds of crank "Jack the Ripper" letters were sent to the press and police, and all were rejected as genuine with the possible exception of a note addressed to a Mr. George Lusk, the Marxist head of the Whitechapel Vigilance Committee. It was written "From Hell" and, interestingly, not signed with a Ripper signature, but simply as "Catch me when you can Mishter [sic] Lusk."

More than any previous endeavor, creating the trade name "Jack the Ripper" forced a spotlight on London's destitute and poor, and *what* a creation! Two of London's top-selling radical newspapers, the *Star* and *Pall Mall Gazette*, realized that dramatizing the murders would focus the story directly towards the squalor of "Outcast London." The first two murders had certainly generated publicity, and the next two murders, both on the same night, would normally have proven even more newsworthy, but publishing news of the "double event" with the macabre and threatening text of two "Jack the Ripper" letters was nothing short of masterful public relations. And it worked.

Within hours of the papers hitting the streets on October 1, 1888, Jack the Ripper—and the social conditions in which his victims lived—stole the show for months on end as a conversation piece. From the stately homes of the aristocracy down to bawdy working-class pubs; from London's Alhambra Theater and Gaiety Music Halls to New York's vaudeville, this unknown killer even spawned mirth over murder. Ripper-mania drifted far from the pathetic rat-infested hovels of Whitechapel and landed on page one of the world's press. The day the double murder story was released in London, "Dismay in Whitechapel" headlines ran on the front page of the *New York Times*. Queen Victoria herself cultivated an unusual interest in what were more politely referred to as the "Whitechapel Murders," and she demanded action. In an age when the Queen's orders were dutifully obeyed, nothing happened. The Ripper was not apprehended, and Victoria was not amused.

A Vehicle for Socialist Propaganda

The "double event" now brought the total number of victims to four, and from this point on, the murders became an important vehicle for socialist propaganda, replacing homicide as the central issue. For instance, a petition with 5,000 signatures was sent to the Queen, but it didn't mention the need to apprehend the killer. It dwelled instead on women "living sad and degraded lives" in the slums of Whitechapel. The *Star* in particular gave extensive coverage of the murders and unashamedly blamed them on "such economic systems as that of unrestricted competition, backed by the devil's gospel of *laissez-faire*." This London daily was well known for its biased socialist crusades, its inflexibility on "Home Rule" for Ireland, and its denunciation of Metropolitan Police Commissioner Sir Charles Warren and his allegedly inept, heavy-handed police force.

The *Star*'s large circulation covered a

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wide cross-section of readers, including those of a more conservative outlook, and this induced other less radical papers, who were also criticizing Warren, to echo the *Star*'s rhetoric, albeit with less rebellious versions. The result was a multi-media push for both the Ripper's arrest and an exposé of the environment in which he operated. Even the staid gentlemen of the Fourth Estate relished the Ripper saga when, almost by default, the highly respected *Times* of London drew attention to the social conditions where the killings took place. As for sensationalism, few could compete with either the *Illustrated Police News* or the *Penny Illustrated Paper*, as issue after issue ran lurid descriptions and artist sketches of the killings.

However, nothing surpassed the publicity that followed the murder of Mary Kelly, the fifth victim. Reports about "Another Whitechapel Horror, More Revolting Mutilation Than Ever" shocked the civilized world and prompted the Queen to telegram her prime minister: "This new most ghastly murder shows the absolute necessity for some very decided action." Led by the socialists, press attacks on the harassed and despondent Sir Charles Warren became so intolerable that he was forced to resign as head of Scotland Yard. It so happened that the attractive Mary Kelly was the last of the Ripper murders, but this was not known at the time and Ripper fervor continued for months on end after her death.

A Radical Campaign?

That the brilliantly conceived "trade name" was part of a socialist campaign against the established social and economic order seems all the more likely when we inspect other aspects of this drama. For instance, Sir Melville Macnaughten, Assistant Chief Constable at Scotland Yard in 1889 (whose notes are the best known of all documents on the case) wrote in his memoirs: "In this ghastly production I have always thought I could discern the stained forefinger of the journalist—indeed, a year later I had shrewd suspicions as to the actual author! But whoever did pen the gruesome stuff, it is certain to my mind that it was not the mad miscreant who had committed the murders." And in his book, *The Lighter Side of My Official Life*, Sir Robert Anderson, head of Scotland Yard's Criminal Investigation Division during the investigation of the murders, commented specifically on the second letter when he wrote: "So I will only add here that the 'Jack the Ripper' letter which is preserved in the Police Museum at New Scotland Yard is the creation of an enterprising journalist."

Quick to spot what was going on, George Bernard Shaw wrote: "Whilst we conventional Social Democrats were wasting our time on education, agitation and organization, some independent genius has taken the matter in hand." In a series of interviews with this writer, former police chief and pioneer of the FBI's serial crime profiling unit, Pierce R. Brooks, said that, in his opinion, the two letters were almost certainly the work of someone in the media with a social axe to grind. (Brooks also felt that the "From Hell" note might have been genuine in view of the killer's handwriting style, which displayed domination fantasies, cruelty, and inner rage.) One of today's noted historians, Martin Fido, said that the murders became famous because the very first elections to the new London County Council were taking place, and the extreme leftists saw their chance of winning the East End—a tailor-made opening for the radicals.

Until 1888, unified administration of the rapidly growing areas beyond the old City of London was completely neglected. Known as Greater London, its population of five million was governed by a complexity of overlapping authorities and the result was administrative chaos. A long overdue solution to this dilemma was set in motion by the Local Government Act of 1888, for it not only created the London County Council, but established urban self-government throughout England. (The Council did not cover the ancient city itself—the financial district known to this day simply as "The City.") At the time, left-wing proposals and convictions were more or less represented by the so-called "Progressives" who had

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very close ties with the Liberal Party and the emerging Labour Party. The Progressives were represented at council elections, but not at parliamentary elections, and although most voters in 1888 voted for Conservative Members of Parliament, many London conservatives were so keen on democratic reforms for their city that they voted Progressive in the Council elections. (It was in this spirit of "Progressive London" that the Fabian Society flourished.)

As for the radicals and socialists, their Jack-the-Ripper newspaper campaign worked like a dream. The Progressives won a 73-seat majority out of a total of 118 seats on the new council, including radical theosophist Annie Besant, who won a seat for the East End. In one Council election after another, the Progressives gained a majority of seats, and from its onset the new council burst into life and quickly introduced new programs involving welfare, sanitation, baths, education, and, to a lesser extent, housing. Their influence on the council also curtailed the operations of unrestricted laissez-faire.

In many ways, the Progressive Movement added an aura of "respectability" to the radical cause. Ominous revelations about urban conditions necessitated the involvement of the ruling classes, notably those with vast estates and holdings which were being leased out to meet the demands of urbanization. The newly assertive London County Council demanded and achieved a large increase in such leasehold enfranchisement, and, as the century drew to its close, more and more of the social elite found themselves in demand as urban celebrities. In fact, the London County Council was the prime example of this "titular association of the aristocracy with the new civic democracy" when the Earl of Rosebery was elected as its first chairman in 1889.

We may never know the author of the first two "Jack the Ripper" letters—some documents relating to the Ripper case are missing, and may have been destroyed in the air raids of 1940–41. Nevertheless, these serial murders would never have generated such enormous publicity if the nightmarish name had not been invented. As for the new Council, its enacted reforms became a symbol for continuing social reform, both in London and the rest of the country. The stirring of "Liberal Socialism" fully surfaced in the 1880s and 1890s and gave birth to the new Independent Labour Party, founded in 1893 by Keir Hardie, and renamed the Labour Party in 1906 when 29 of its candidates won seats in the general election of that year. Its backbone was the growing trade union movement and, together with the Fabian Society founded in 1884, Labour became one of the two major political parties from 1922 onward.

Britain's recurring love affair with socialism has extended well into the twentieth century. Although the British Left was never taken by Soviet Communism, notable exceptions in the 1930s such as the "Bloomsbury Set" and the secret Cambridge society, The Apostles, and its spymaster Kim Philby, certainly left their mark. British socialists were more than impressed when the American journalist Lincoln Steffens returned from Russia in 1919 and told Bernard Baruch that, "I have been over into the future, and it works." These words certainly resounded in British (and American) politics, but neither the Labour Party or those who voted for them wanted a revolution against the prevailing British way of life. Not even he who created the trade name "Jack the Ripper" could have foreseen how thoroughly the old Victorian order would be overthrown. □

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A Vote for Optimism

As the twentieth century draws to a close and a new millennium begins, should we be optimistic or pessimistic about the course of the human race?

Expect pundits and prognosticators of every persuasion to be offering up their views on this weighty question between now and the year 2000. Count me among the optimists. Not since the Enlightenment swept Europe in the eighteenth century have so many trends been moving in the right direction at one time. Let me make my case.

In political and economic terms, this century began inauspiciously. Individual liberty, free markets, and representative government were in retreat, socialism and dictatorship were advancing all over the globe. Two world wars and a great depression were followed by widespread acceptance of the fiction that governments should heavily spend, tax, and regulate. Communism—the state in charge of everything—claimed to be the wave of the future and millions believed it.

Today, the values of limited, representative government predominate from Moscow to Manila. A chunk of the Berlin Wall sits on the grounds of the Ronald Reagan Library in California. Protectionism is receding as barriers to trade come down. In dozens of national capitals, the public policy debate now turns on how much less government should do, not on how many new duties to give it.

Among intellectuals, the trend is decidedly in one direction—toward liberating individuals from the constraints of statism. The world is full of *former* socialists; I don't know any former advocates of the free market who have undergone any comparable philosophical transformation. The staggering volume of publications and conferences pouring forth from free-market groups dwarfs anything coming from other directions.

Reinforcing these anti-statist trends is an information/technology revolution that is empowering individuals to take charge of their lives, start new businesses, and communicate freely and instantaneously with others in every corner of the earth. New discoveries and productivity gains are making capital and labor more mobile than ever before, bringing higher living standards almost everywhere.

In a 1988 study, *The Twilight of Government Growth in a Competitive World Economy*, Richard B. McKenzie suggested that one of the greatest threats to the march of the omnipotent state was the personal computer:

> These words are being typed in a plane at 33,000 feet en route to St. Louis. The computer I am using is about the size and weight of a small box of Tide but has the internal memory of the University Maryland's entire computer

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center when I was a graduate student there two decades ago. I carry in my shirt pocket enough disks to conduct the business of a modest-size firm. Yet any such observation about the small size but great power of modern computers is remarkable only because it is no longer astounding.

Nonetheless, the computing power on my lap represents an immense, not fully recognized, threat to the economic and political power of the U.S. government and other governments around the world. At the same time, my computer represents a liberation of "people power," because technology is changing the nature of capitalism. Capital is being freed from the strict confines of arbitrary national boundaries; it is becoming internationalized to an extent never before imagined. As a consequence, the power of government to tax and regulate may be in its twilight years.

Not long ago, we were awash in predictions about an imminent crisis in natural resources. In the '70s, forecasters were warning of increasing scarcity and rising commodity prices. An American president in a woolen cardigan gave us a fireside lecture about why we would have to hunker down, settle for less, pay more at the gas pump, even adjust our thermostats and throw more blankets on our beds.

A funny thing happened on the road to disaster: factoring out inflation, natural resources are now half as expensive as they were in 1980. Between 1980 and 1992, the worldwide inflation-adjusted price of food declined by 49 percent; timber, by 13 percent; and petroleum, by 62 percent. Cato Institute economist Stephen Moore says the next century may be "the first era in the history of humanity that natural resource scarcity ceases to act as a significant constraint on economic growth."

The astonishing progress in lengthening life ranks as one of humanity's greatest triumphs. Capitalist countries have slashed infant mortality and added 15 to 20 years to the average life span since 1900. Life expectancies even in poor countries, with few exceptions, have risen more since 1950 than in the previous 3,000 years. While some may argue the world has too many people, this startling fact cannot be ignored: the earth today sustains more than 5 billion people living far longer and at far higher standards on average than was the case for the mere 1 billion the earth sustained less than two centuries ago.

In the United States and many other countries, the environment is generally on the mend. The air is cleaner, the water is purer. Conditions that once spawned deadly plagues and diseases that killed or crippled vast numbers of people are few and far between, or relegated to historical footnotes. The cover story of the April 1995 *Atlantic Monthly* declared, "[T]he vast reforestation of the eastern United States is the most important environmental story in the nation—one with worldwide implications."

Not all is well, to be sure. Dictatorships still exist. Ignorance about the imperatives of liberty and free enterprise can be found without looking any further than the nearest university. Wars haven't disappeared. Pockets of poverty, disease, and environmental degradation persist. But these scourges are increasingly the exceptions in a world where they were once the rule. Their greatest enemies—freedom and knowledge—have gained the upper hand and promise us more progress for as far as the eye can see.

Historians record that on the eve of the last millennium, around the year 999, the world was rife with dire predictions about the future. Prophesying doom and gloom was the growth industry of the day. This time around, it looks like billions of people will be too busy making the world a better place to indulge in self-fulfilling defeatism.

So there's my vote. As 2000 approaches, I cast my ballot for optimism. □

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THE FREEMAN
IDEAS ON LIBERTY

The U.S. Presidents and the Money Issue

by Greg Kaza

This year marks the 100th anniversary of the most important presidential campaign ever to revolve around an issue largely ignored in contemporary politics—monetary policy.

The Republicans, with William McKinley as their candidate, defended the classical gold standard. The Democratic nominee, William Jennings Bryan, supported silver coinage at an above-market rate, and inspired inflationists with his now-famous "Cross of Gold" speech.

McKinley won the 1896 election, but the money issue would be eclipsed by fiscal policy in the twentieth century. It is fascinating, however, to consider that most U.S. presidents prior to McKinley discussed issues that have virtually disappeared from today's public discourse. Their opinions on gold, silver, and central banking were not only relevant then, but remain so today.

Establish a Central Bank?

There was no interest in paper money in the early United States after the inflationary experiences of the Revolutionary War. Instead, monetary discussions centered on whether or not to establish a central bank. Alexander Hamilton and the Federalists advocated a bank through an expansive interpretation of the Constitution, which made no provision for chartering federal corporations. Thomas Jefferson and other Anti-Federalists urged "strict constructionism" and opposed the bank. In 1791, both Hamilton and Jefferson gave Federalist George Washington (1789–1797) their interpretations. Washington sided with Hamilton, and signed a law creating the First Bank of the United States.

Under Federalist John Adams (1797–1801), all foreign gold coins ceased to be legal tender. Adams also signed a proclamation exempting Spanish silver dollars from similar silver legislation. The United States was on a bimetallic monetary standard of value at this time. Gold served in high-denomination coins, silver for smaller amounts.

Adopting a bimetallic standard is one thing; maintaining it in the face of fluctuating market values is another. Gresham's Law states that debased coins (those overvalued by government) tend to remain in circulation, while undervalued coins are hoarded. Since silver was overvalued, gold began to disappear from circulation.

Thomas Jefferson (1801–1809) grappled with this problem even before assuming the presidency. Observing that Spanish silver dollars varied in their silver content, Jefferson proposed they be assayed by the government. This led to the Coinage Act of 1792.

Part of Jefferson's opposition to the cen-

Greg Kaza is a Michigan state representative. He has taught economics and history at Northwood University, where he served as an adjunct professor.

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NOTES FROM FEE

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April 1996

Against the Stream

When, fifty years ago, this Foundation embarked upon its great design, the most important factor was the battle between the creeds — between Marxism and its various opponents. It divided the world into hostile camps which threatened to engulf mankind in yet another bloody confrontation. While the Soviet Union was exporting communist dogma to all corners of the world, the West under U.S. leadership was barely holding its own. Here the general mood was one of despair about the failure of the old order and the lack of a creed of its own.

A few disillusioned socialists were taking their stand against the ruthless control of the lives of individuals by political tyrannies. Observing the inhuman consequences of political doctrines and ideas, some writers expressed a sense of frustration and horror about the systems that crush and destroy human lives. George Orwell expressed it in his satirical novels, *Animal Farm* (1946) and *Nineteen Eighty-Four* (1949), which is a prophetic story describing the dehumanization of man in a mechanistic totalitarian world.

There was a remnant of old-fashioned liberal journalists who questioned the continuous growth of political power and control. John Chamberlain, William Henry Chamberlin, Frank Chodorov, John Davenport, John T. Flynn, Garet Garrett, and Albert J. Nock joined forces with the disillusioned socialists in presenting an intellectual opposition to the general trend. In the academic world, a few eminent scholars such as B. M. Anderson, H. J. Davenport, F. R. Fairchild, F. H. Knight, and W. A. Paton scorned the New Deal which was holding sway in education and communication. They disputed and refuted John Maynard Keynes' doctrines and theories which offered a new defense for old errors. Lord Keynes and his American disciples elevated deficit spending to a political virtue, popularizing an ancient economic fallacy, inflationism, as an appropriate road to full employment and economic prosperity. Throughout the world Keynesian doctrines were in great vogue with those governments that were not outrightly Marxian.

The critics not only cried out against the inhumanity of a political command system but also reminded their readers of the great heritage of the West, the creed of individual liberty and the private property order. The old order had not failed, they contended, it had been smothered, expunged, and dismantled by political authority. It was not the old order of classical liberalism that had foundered but the new mode of political supremacy in social and economic life. It was the surrender of

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freedom that provoked the return of autocracy and tyranny.

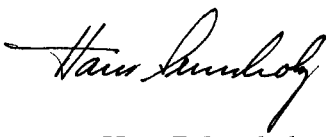
The Foundation for Economic Education (FEE) set out to reaffirm, expound, and shed fresh light on the philosophy and movement of classical liberalism which stresses not only the dignity of every individual but also the importance of property rights, natural rights, the need for constitutional limitations on government, and, especially, the freedom of every individual from any kind of political restraint. Building on the writings of such men as John Locke, Adam Smith, David Ricardo, Jeremy Bentham, and John Stuart Mill, the writers affiliated with the Foundation offered a complete doctrine of individual freedom.

In 1946, Henry Hazlitt, one of the seven founders of FEE, published a most popular and influential book, *Economics In One Lesson*, which was to sell more than one million copies in just a few years and which continues to sell briskly. It is probably the best "little book" on the fallacies of popular economic notions and policies ever written.

A year later, Professor Ludwig von Mises, a member of the staff of FEE, published *Planned Chaos* which challenged the popular dogma that capitalism has lost its usefulness and that all-round regimentation of economic life is both inescapable and highly desirable. In 1949, he presented his magnum opus, *Human Action*, which, in the words of Rose Wilder Lane, "is unquestionably the most powerful product of the human mind in our time, and I believe that it will change life for the better during the coming centuries as profoundly as Marxism has changed all our lives for the worse in this century." In 1948, Leonard E. Read, the president of FEE, published *Pattern for Revolt*, which threw all expediency to the winds and set down without compromise what he would say and do if he were president of the United States or, more specifically, what he would urge a newly elected president to do. Read never ran for political office; he was not even tempted for the sake of popularity to surrender his principles and garble his speeches.

The politicians who managed to be elected subjected the American economy to severe stop-and-go manipulations. Whenever a presidential election approached, the Federal Reserve together with the Treasury would contrive a feverish business boom, stimulating housing construction and consumer purchases through inflation and credit expansion; after each election they temporarily halted their inflationary policies, which brought in their wake a new economic crisis and the beginning of another recession. Three times in the 1950's the American economy fell into a deep recession. Thereafter, all administrations indulged in the pleasures of deficit spending which not only extended the stop-and-go system but also permitted the spenders to buy votes and elections, and acquire great personal wealth. In time, they were to place a $5 trillion debt on the shoulders of their children and grandchildren.

In politics a man may talk about principle but act on interest. The men and women of FEE never forsook the principles they professed. They kept the faith, proud of their great tradition, and confident of the noble cause they were serving. They lived by George Washington's motto which they proudly display in the FEE library: "If to please the people, we offer what we ourselves disapprove, how can we afterward defend our work. Let us raise a standard to which the wise and honest can repair. The rest is in the hands of God."



Hans F. Sennholz

You cannot correct all the evils of the world, nor relieve all the poverty in the world.

You cannot comfort all in distress, nor support all the underprivileged.

But you can stand by FEE which brings the light of freedom to the world.

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Special: Autographed by the author!

Religion: Foundation of the Free Society

by Edmund A. Opitz

Introduction by the Right Reverend Robert C. Harvey

Twenty essays eloquently explore the religious roots of American liberty and the free society, the role of the individual in society, and the relationship between religion and the free economy. The economic case for capitalism will not be heard and understood, the Reverend Mr. Opitz contends, until people "have given proper weight to the argument for the free society based on ethics, inherent rights, and free will."

Edmund Opitz, an ordained Congregational minister, founder of The Remnant (a fellowship of conservative and libertarian ministers) and The Nockian Society, is a contributing editor of *The Freeman*. He served as a member of the senior staff of FEE from 1955 until his retirement in 1992. *Religion: Foundation of the Free Society* is vintage Opitz, graced with his elegant style, subtle wit, and gentle erudition.

Second printing, February 1996
272 pages, indexed

$14.95 paperback

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tral bank stemmed from his belief that it catered to commercial and financial interests, while hurting the agricultural sector. While critical of the Bank of the United States, Jefferson did not undermine it as president. But when the bank's charter expired in 1811, his interpretation of the Constitution swayed public opinion against the bank. His successor, James Madison (1809–1817), vetoed a bill rechartering the bank, although he believed in central banking.

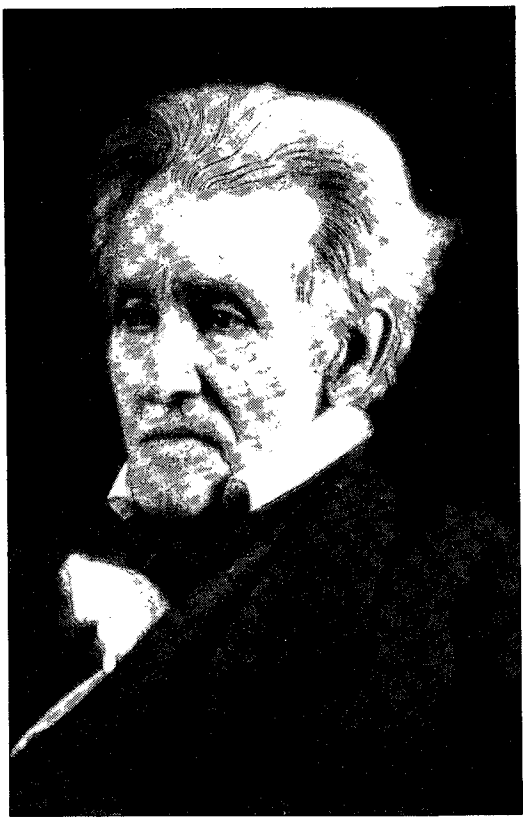
Unfortunately, the War of 1812 caused suspension of specie payments and state bank inflation. This led to creation of the Second Bank of the United States late in Madison's second term of office. Presidents James Monroe (1817–1825) and John Quincy Adams (1825–1829) supported the central bank during their terms of office.

The Jacksonian Democrats

Andrew Jackson (1829–1837) had a profound influence on monetary policy in the mid-nineteenth century. Jackson vetoed a bill rechartering the Second Bank of the United States, and signed the Specie Circular of 1836, which required gold payment of federal debt obligations. In his annual messages to Congress, Jackson discussed monetary matters more than any other president.

By this time, the money issue was more than an economics discussion; it grew out of regional and even class politics. Jackson believed the central bank created an alliance between Big Business and government that benefited a few while costing most Americans. "[B]oth the constitutionality and the expediency of the law creating this bank are well questioned by a large portion of our fellow citizens," Jackson said in 1829, "and it must be admitted by all that it has failed in the great end of establishing a uniform and sound currency." He declared in 1830, "Nothing has occurred to lessen in any degree, the dangers of which many of our citizens apprehend from that institution, as at present organized."

In 1831, Congress rechartered the Bank, but Jackson vetoed the bill.[1] "It is to be



Andrew Jackson was an ardent champion of the gold standard.

regretted," Jackson said, "that the rich and powerful too often bend the acts of government to their selfish purposes. . . . [W]hen the law undertakes to . . . make the rich richer and the potent more powerful, the humble members of society—the farmers, mechanics and laborers . . . have a right to complain of the injustice of their government." Central bank abolition was a cornerstone of Jackson's successful 1832 re-election campaign. He confided to Charles Carroll, the last surviving signer of the Declaration of Independence, "No bank and Jackson—or bank and no Jackson." After his re-election, Jackson attacked bank officers in 1833 for "actively engaging in attempting to influence the elections of the public officers by means of its money . . . [in] violation of its charter."

In his second term, Jackson struck a further blow against central banking by sending the Bank's assets to state banks, dubbed "pet banks" by critics. He termed

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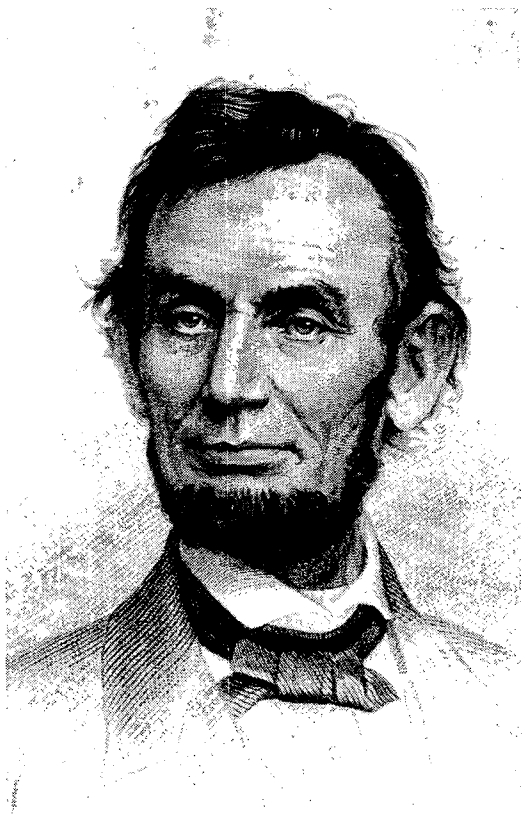
central banking "the scourge of the people," and described gold coins as "a sound and portable currency." In 1836, Jackson signed the Specie Circular, which increased gold coinage.[2] That same year, he proposed suspension of all paper bank notes less than $20. "The attainment of such a result," Jackson said, "will form an era in the history of our country which will be dwelt upon with delight by every true friend of its liberty and independence."

Jackson was not a monetary nationalist; he saw no reason why foreign gold or silver should not circulate in competition with U.S. coins. In two separate measures, the Jacksonians legalized the circulation of *all* foreign gold and silver coins.[3] In his farewell address, Jackson warned, "The paper system . . . having of itself no intrinsic value . . . is liable to great and sudden fluctuations, thereby rendering property insecure, and the wages of labor unsteady and uncertain." He attacked fiat money and central banks as undermining free institutions.

Martin Van Buren (1837–1841) continued Jackson's policies. One of his first acts was to address the Panic of 1837, a mini-depression. Van Buren's solution: stand fast on gold and propose an independent Treasury to further wrest control of the federal government from central bank supporters. In 1840, Congress passed a bill establishing an independent Treasury, which Van Buren hailed as a "Second Declaration of Independence."

Whig William Henry Harrison (1841), a hero of the War of 1812, was told by advisers to keep his lips "hermetically sealed" on the money issue during the 1840 campaign. Harrison died after one month in office. His successor, John Tyler (1841–1845), vetoed two bills creating a new Bank of the United States, terming them "unconstitutional." After the second veto, Bank advocates demanded Tyler abide by the views of the Whig-controlled Congress and sign the bill, or resign the presidency. Tyler refused.

Democrat James Polk (1845–1849) resumed Jackson's policies. As a congressman, Polk had fought the bank's recharter as chairman of the House Ways and Means Committee. His successor, Whig Zachary Taylor (1849–1850), a hero of the Mexican-American War, had little to say on the issue. Whig Millard Fillmore (1850–1853) reversed Jacksonian policy, devising a monetary system that was the forerunner of the National Banking Act of 1863.



Abraham Lincoln's greenback policies led to wide-spread inflation.

Gresham's Law finally caught up with bimetallism in the early 1850s. Gold production exploded with the discovery of new mines in California, and then burst, causing a fall in the price of gold relative to silver. Silver coins disappeared rapidly from the United States. In response, Democrat Franklin Pierce (1853–1857) supported a gold monometallic standard[4] with silver coins circulating at weight. Silver was no longer drastically overvalued versus gold, and remained in circulation.[5] Pierce had opted for a temporary gold standard, but it was short-lived.

Part of the Jacksonian program was repealed under James Buchanan (1857–1861).

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In a show of monetary nationalism, the legal tender power of foreign coins was repealed, except for Spanish-American fractional silver.[6] But it was the next president who would alter the "hard money," anti-central bank policies of the Jacksonians more than any other U.S. leader.

Lincoln Inflation

To his admirers, Abraham Lincoln (1861–1865) is remembered as "the Father of the Union." But the first Republican president was an inflationist in monetary affairs, and his policies led to consequences that are still visible today. To pay for the Civil War, Lincoln abandoned specie and launched a paper dollar (the "greenback") that resulted in rampant price inflation.

The Civil War led to an enormous growth of federal spending, from $66 million in 1861 to $1.3 billion four years later.[7] Lincoln tried to finance the war initially with government bonds, but public demand for specie payments led to their suspension at year's end. Lincoln took advantage of the fact that the United States was on an inconvertible paper standard by signing the Legal Tender Act of 1862, which authorized greenbacks to pay for the war. Initially limited to $150 million, a second $150 million issue was approved in July and a third $150 million issue passed in early 1863.[8] By mid-1864, greenbacks were worth 35 cents in gold. But at war's end, they had risen to 69 cents on the prospects of future gold redemption.[9] Prices rose 110.9 percent from 1860 to war's end.

Not surprisingly, greenbacks depreciated against gold, leading Lincoln to scapegoat "gold speculators." Failing to regulate the gold market, he tried to destroy it by passing a Gold Bill in mid-1864 that prohibited all gold futures contracts, and imposed severe penalties. Public opposition, however, forced the bill's repeal that year.[10]

Another important consequence of Lincoln's term was the creation of a new, quasi-centralized, fractional reserve banking system. This laid the groundwork for the Federal Reserve System, which was eventually established in 1913. The National Banking Act of 1863 forever ended the federal government's separation from banking. Lincoln built upon the Federalist/Whig policy of central banking, implanting the soft-money tradition permanently in the United States.[11]

Public support for gold specie resumption grew after the war. The Loan Bill of 1866, signed by Republican Andrew Johnson (1865–1869), provided for greenback contraction from the market.[12] But Johnson refused to sign a bill in 1869 that would have provided for specie resumption. That task fell to Republican Civil War hero Ulysses S. Grant (1869–1877) in his first act of office. The Panic of 1873 did not shake Grant's fear of inflation; he vetoed a bill proposing greenback expansion.[13] In 1875, Grant signed another bill pledging specie resumption by decade's end.

The Gold Standard

Specie payment was finally resumed in 1879 under Republican Rutherford Hayes (1877–1881), but greenbacks could be redeemed in silver, along with gold, as a result of the Bland–Allison Act. In 1877, Representative "Silver Dick" Bland of Missouri sponsored a bill providing for the free and unlimited coinage of silver. The measure was supported by the Democratic "silver bloc" emerging in the western United States, and called for overvaluing silver versus gold. The bill was modified in 1878 by Senator William Allison of Iowa, who fashioned a compromise between Democratic free silverites and conservative Republican business interests. The Bland–Allison Act permitted limited silver coinage and required the Treasury to purchase $2 to $4 million of silver each month. Hayes vetoed the legislation, but his veto was overridden.

Republican James Garfield (1881) urged government debt payments in gold. Although he opposed free silver, Garfield expressed interest in a bimetallic standard before his assassination. Republican Chester Arthur (1881–1885) called for repeal of Bland-Allison. "They [paper silver] form an unnecessary addition to the paper

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currency," Arthur declared in 1881. "In respect to the coinage of silver dollars and the retirement of silver certificates," Arthur said in 1882, "I have seen nothing to alter but much to confirm [these] sentiments."

Democrat Grover Cleveland (1885–1889, 1893–1897) may have been the greatest gold standard advocate ever to serve as president. In his first term, Cleveland singlehandedly preserved the gold standard at a time when the Democrats split bitterly over the money issue and populism. However, his opposition to tariffs cost him the 1888 election.

When Cleveland left office after his first term, the Treasury had a large gold reserve, but it was depleted by Republican Benjamin Harrison (1889–1893). In 1890, Harrison signed the Sherman Silver Purchase Act, requiring the Treasury to buy 4.5 million ounces of silver monthly. To buy the silver, Treasury was to issue a new type of paper money known as Treasury notes. The act was a victory for the Populists, who held that deflation, which hurt farmers, could be reversed by free silver policies. Deflation continued, the gold reserve dropped, private banking tightened, and the Panic of 1893 ensued.

Re-elected and back in the White House, Cleveland attacked the Silver Purchase Act as a "dangerous and reckless experiment. . . ." He called for its repeal to restore confidence in the dollar. Cleveland knew Gresham's Law and defended gold against inflationists in his own Democratic Party. Congress tried to compromise, but Cleveland would not yield and the act was repealed. Cleveland was the last Democratic president to support gold. The Populists, whose presidential candidate won more than a million votes in 1892, returned to the Democrats four years later as supporters of William Jennings Bryan.

Lessons for Today

McKinley's victory in 1896 also contained the seeds of central banking and political manipulation that has led to the rampant inflation of the twentieth century. The Democratic Party was no longer the great laissez-faire, hard-money party of Jefferson, Jackson, and Cleveland, and the Republicans soon emerged as the party of the corporate State.[14]

Republican Theodore Roosevelt called for additional legislation and elasticity in the monetary system. By 1906, he was calling for "a considerable increase in bills of small denominations." William Howard Taft (1909-1913) went even further, declaring in his inaugural, "One of the reforms to be carried out . . . is a change of our monetary and banking laws, so as to secure greater elasticity . . . and to prevent the limitations of law from operating to increase the embarrassment of a financial panic." By this time, the Federal Reserve's establishment was a forgone conclusion and America was soon to be saddled with the inflationary, fractional-reserve system that sets American monetary policy to this day.

There is a glorious tradition of hard-money advocates in the history of the United States. Reviving that heritage is essential to our economic well-being. Further, the decline of the dollar after it was severed from its last links to gold in 1971 has affected all Americans, even if it has been ignored by most elected officials. Economic law cannot be repealed. Easy money leads to inflation in any century. The truths about hard money recognized by many of our best presidents need to be brought back into the public square. □

1. Jackson's veto was more than 7,500 words in length.
2. The Specie Circular's author, U.S. Senator Thomas Hart Benton of Missouri, was nicknamed "Old Bullion" for his pro-gold views.
3. Ron Paul and Lewis Lehrman, *The Case for Gold* (Washington: The Cato Institute, 1982), p. 62.
4. Under a gold monometallic standard, the dollar is defined only as a weight of gold, with silver circulating by weight. This is an example of "free metallism," in which two or more metal coins are allowed to fluctuate freely in the same range.
5. Paul and Lehrman, *ibid.*, pp. 63–65.
6. *Ibid.*, p. 66.
7. *Ibid.*, p. 74.
8. *Ibid.*, p. 75.
9. Wesley Clair Mitchell, *A History of the Greenbacks* (Chicago: University of Chicago Press, 1903), pp. 232–38, 423–28.
10. Paul and Lehrman, *ibid.*, pp. 76–77.
11. *Ibid.*, p. 74.
12. *Ibid.*, p. 96.
13. *Ibid.*, p. 96.
14. *Ibid.*, pp. 117–18.

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THE FREEMAN
IDEAS ON LIBERTY

Mary Wollstonecraft—Equal Rights for Women

by Jim Powell

In Western Europe during the late eighteenth century, single women had little protection under the law, and married women lost their legal identity. Women couldn't retain a lawyer, sign a contract, inherit property, vote, or have rights over their children.

As Oxford law professor William Blackstone noted in his influential *Commentaries on the Laws of England* (1758): "The husband and wife are one person in law; that is, the very being or legal existence of the woman is suspended during the marriage or at least is incorporated and consolidated into that of the husband: under whose wing, protection and cover, she performs every thing."

Then along came passionate, bold Mary Wollstonecraft who caused a sensation by writing *A Vindication of the Rights of Woman* (1792). She declared that both women and men were human beings endowed with inalienable rights to life, liberty, and the pursuit of happiness. She called for women to become educated. She insisted women should be free to enter business, pursue professional careers, and vote if they wished. "I speak of the improvement and emancipation of the whole sex," she declared. "Let woman share the rights, and she will emulate the virtues of man; for she must grow more perfect when emancipated. . . ."

Wollstonecraft inspired people because she spoke from the heart. Although she was reasonably well-read, she drew more from her own tumultuous experience. "There is certainly an original defect in my mind," she confessed, "for the cruelest experience will not eradicate the foolish tendency I have to cherish, and expect to meet with, romantic tenderness."

She dared do what no other woman had done, namely pursue a career as a full-time professional writer on serious subjects without an aristocratic sponsor. "I am then going to be the first of a new genus," she reflected. It was a harsh struggle, because women were traditionally cherished for their domestic service, not their minds. Wollstonecraft developed her skills on meager earnings. She dressed plainly. She seldom ate meat. When she had wine, it was in a teacup, because she couldn't afford a wine glass.

Contemporaries noted Wollstonecraft's provocative presence—thin, medium height, brown hair, haunting brown eyes, and a soft voice. "Mary was, without being a dazzling beauty, . . . of a charming grace," recalled a German admirer. "Her face, so full of expression, presented a style

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of beauty beyond that of merely regular features. There was enchantment in her glance, her voice, and her movements."

Mary Wollstonecraft was born April 27, 1759, in London. She was the second child and eldest daughter of Elizabeth Dixon, who hailed from Ballyshannon, Ireland. Mary's father, Edward John Wollstonecraft, was a handkerchief weaver. He decided to become a gentleman farmer after he got an inheritance from his father, a master weaver and residential real estate developer, but farming was a bust. The family moved seven times in ten years as their finances deteriorated. Edward drank heavily, and Mary often had to protect her mother from his violent outbursts. She had rocky relations with her siblings.

Mary's formal schooling was limited, but one of her friends in Hoxton, outside London, had a respectable library, and Mary spent considerable time exploring it. Through these friends, she met Fanny Blood, two years older and skilled at sewing, drawing, watercolors, and the piano. She inspired Mary to take initiative cultivating her mind.

Spurred by family financial problems, Mary resolved to somehow make her own way. She pursued the usual opportunities open to smart but poor young women. At 19, she got a job as live-in helper for a wealthy widow who proved to be a difficult taskmaster.

Young Adulthood

Three years later, in 1781, Mary tried and failed to establish a school at Islington, North London. Then Mary, Fanny, and Mary's sisters, Eliza and Everina, started a school nearby at Newington Green. After initial success, that, too, failed. She then worked as a governess for an Irish family and saw firsthand the idleness of landed aristocrats. These discouraging experiences were compounded by the death of Fanny Blood from tuberculosis. After Mary's mother died in 1782, she—not her oldest brother—assumed primary responsibility for taking care of her volatile father.

Meanwhile, through her Newington school experience, Wollstonecraft met many local Dissenters whose religious beliefs put them outside the tax-supported Anglican Church. Among these Dissenters was minister and moral philosopher Richard Price, who was in touch with Thomas Jefferson, Benjamin Franklin, Marquis de Condorcet, and other radical thinkers of the day. Wollstonecraft also met scientist Joseph Priestley, schoolteacher John Hewlett, and Sarah Burgh, widow of radical author James Burgh. Although Wollstonecraft retained her faith in the Anglican Church, she stood out as a maverick and became good friends with these people.

Dissenters promoted reform of Britain's cozy political system. The House of Lords consisted of aristocrats who inherited their positions. The House of Commons was chosen by the very few males who were enfranchised—just 15,000, about one-half percent of adult males—determined the outcome of an election. The Test and Corporation Acts disenfranchised religious Dissenters. Moreover, no town had gained the right to representation since 1678, which meant that dynamos of the Industrial Revolution like Birmingham and Manchester were excluded.

The Influence of Joseph Johnson

Hewlett encouraged Wollstonecraft to write a pamphlet on education and submit it to Joseph Johnson, the radical publisher and bookseller with a shop at St. Paul's Churchyard. He was known as a visionary entrepreneur who backed a number of unknowns including the poet-printmaker William Blake. Johnson published works by Joseph Priestley and poets William Cowper and William Wordsworth, too. He distributed materials for Unitarians.

Hewlett's suggestion turned out to be a lifeline because, as Wollstonecraft biographer Claire Tomalin explained, "Mary was homeless again, without a job or a reference; she had nothing to live on, and she was in debt to several people. She had no marriage prospects. She was 28, with a face that looked as though it had settled permanently

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into lines of severity and depression around the fierce eyes . . . her most remarkable trait was still that she had refused to learn the techniques whereby women in her situation usually attempted to make life tolerable for themselves: flattery, docility, resignation to the will of man, or God, or their social superiors, or all three."

Johnson told Wollstonecraft that she had talent and could succeed if she worked hard. He published her pamphlet in 1786 as *Thoughts on the Education of Daughters; with Reflections on Female Conduct, in the More Important Duties of Life*. Sales were negligible, but the work launched Wollstonecraft's literary career. She sent her author's fee to the impoverished Blood family and redoubled her efforts. "I must exert my understanding to procure an independence and render myself useful," she wrote. "To make the task easier, I ought to store my mind with knowledge—The seed time is passing away."

By 1788, Johnson offered her steady work. She translated books from French and German into English. She served as an assistant editor and writer for his new journal, *The Analytical Review*. She contributed to it until her death, perhaps as many as 200 articles on fiction, education, sermons, travelogues, and children's books.

Johnson was a good man. He helped Wollstonecraft find lodgings. He advanced her money when needed. He dealt with her creditors. He helped her cope with her father's chaotic situation. He calmed her bouts of depression. "You are my only friend," she confided, "the only person I am intimate with—I never had a father, or a brother—you have been both to me. . . ."

Wollstonecraft met more radicals who visited Johnson, including William Blake, Swiss painter Henry Fuseli, and Johnson's publishing partner, Thomas Christie. On one occasion, she met philosopher William Godwin and Thomas Paine, the Englishman who helped inspire the American Revolution by writing *Common Sense*. Wollstonecraft dominated the conversation. "I heard her very frequently," Godwin recalled, "when I wished to hear Paine."

The French Revolution

The outbreak of the French Revolution in July 1789 triggered explosive controversy. In November, Richard Price gave a talk before the Society for Commemorating the Glorious Revolution of 1688, defending the right of French people to rebel and suggesting that English people should be able to choose their rulers—an obvious challenge to the hereditary monarchy. This alarmed Edmund Burke, a Member of Parliament previously known for having defended the American Revolution. Burke wrote *Reflections on the Revolution in France* (November 1790), a rhetorically brilliant attack on natural rights and a defense of monarchy and aristocracy.

Burke's ideas as well as his swipes at Price made Wollstonecraft indignant. Drawing on the ideas of John Locke and Price, she rushed into print with *A Vindication of the Rights of Men*, among the earliest of some 30 replies to Burke. Although this polemic was repetitious and disorganized, and Wollstonecraft overdid her attacks on Burke as vain, unprincipled, and insensitive—she had an impact. She faulted Burke for being blind to poverty: "Misery, to reach your heart, I perceived, must have its cap and bells. . . ." She denounced injustices of the British constitution which evolved during the "dark days of ignorance, when the minds of men were shackled by the grossest prejudices and most immoral superstition." She singled out the aristocratic practice of passing family wealth to the eldest son: "the only security of property that nature authorizes and reason sanctions is, the right a man has to enjoy the acquisitions which his talents and industry have acquired; and to bequeath them to whom he chooses. . . ."

She lashed out at arbitrary government power: "Security of property! Behold, in a few words, the definition of English liberty. . . . But softly—it is only the property of the rich that is secure; the man who lives by the sweat of his brow has no asylum from oppression; the strong man may enter—when was the castle of the poor sacred?—and the base informer steal him from the

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family that depend on his industry for subsistence. . . . I cannot avoid expressing my surprise that when you recommended our form of government as a model, you did not caution the French against the arbitrary custom of pressing men for the sea service."

Wollstonecraft's work, and everyone else's for that matter, was later dwarfed by Thomas Paine's far more powerful reply to Burke—*The Rights of Man*—but she established herself as an author to reckon with.

A Vindication of the Rights of Woman

She had generally supposed that when revolutionaries spoke of "man," they were using shorthand for all humanity. Then on September 10, 1791, Talleyrand, former Bishop of Autun, advocated government schools which would end at eighth grade for girls but continue on for boys. This made clear to Wollstonecraft that despite all the talk about equal rights, the French Revolution wasn't intended to help women much. She began planning her most famous work, *A Vindication of the Rights of Woman*. She wrote for more than three months and was finished January 3, 1792. Johnson published it in three volumes.

She despised the government class. "Taxes on the very necessaries of life," she wrote, "enable an endless tribe of idle princes and princesses to pass with stupid pomp before a gaping crowd, who almost worship the very parade which costs them so dear."

She specifically cited laws that "make an absurd unit of a man and his wife; and then, by the easy transition of only considering him as responsible, she is reduced to a mere cipher . . . how can a being be generous who has nothing of its own? or virtuous who is not free?"

Wollstonecraft issued an early call for women's suffrage: "I really think that women ought to have representatives, instead of being arbitrarily governed without having any direct share allowed them in the deliberations of government."

Wollstonecraft attacked those like collectivist Jean-Jacques Rousseau who wanted to keep women down. He had written that "The education of the women should always be relative to the men. To please, to be useful to us, to make us love and esteem them, to educate us when young, and take care of us when grown up, to advise, to console us, to render our lives easy and agreeable; these are the duties of women at all times, and what they should be taught in their infancy."

Wollstonecraft believed education could be the salvation of women: "the exercise of their understanding is necessary, there is no other foundation for independence of character; I mean explicitly to say that they must bow only to the authority of reason, instead of being the modest slaves of opinion." She insisted women should be taught serious subjects like reading, writing, arithmetic, botany, natural history, and moral philosophy. She recommended vigorous physical exercise to help stimulate the mind.

To be sure, she had a naïve faith that the same governments which restricted women could inexplicably be trusted to run schools uplifting women. Twentieth-century government schools have been catastrophes for women as well as men, graduating large numbers at high cost without the most fundamental skills.

Wollstonecraft called for eliminating obstacles to the advancement of women. "Liberty is the mother of virtue," she asserted, "and if women be, by their very constitution, slaves, and not allowed to breathe the sharp invigorating air of freedom, they must ever languish like exotics, and be reckoned beautiful flaws of nature."

She envisioned a future when women could pursue virtually any career opportunities: "Though I consider that women in the common walks of life are called to fulfill the duties of wives and mothers, by religion and reason, I cannot help lamenting that women of a superior cast have not a road open by which they can pursue more extensive plans of usefulness and independence. . . ." Finally: "How many women thus waste life away the prey of discontent, who might have practiced as physicians,

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regulated a farm, managed a shop, and stood erect, supported by their own industry, instead of hanging their heads surcharged with the dew of sensibility."

With *A Vindication of the Rights of Woman*, Wollstonecraft emerged in a class by herself. She went beyond her contemporary Catherine Macaulay who had written passionately about educating women. Wollstonecraft was opposed by "Bluestockings" like Hannah More, Elizabeth Montagu, and Hester Chapone who had fared well by making the most of the subordinate position of women. A succession of women novelists—Fanny Burney, Clara Reeve, Charlotte Smith, and Elizabeth Inchbald, for instance—had portrayed women who achieved heroic moral stature, but they didn't always celebrate women with brains.

A Vindication of the Rights of Woman sold out within a year, and Johnson issued a second edition. An American edition and translations into French and German followed.

Wollstonecraft crossed the English Channel so she could see the French Revolution for herself. She was welcomed by expatriots such as the American patriot Joel Barlow, English poet Helen Maria Williams, and Thomas Paine. She sided with liberal Girondists who, including Marquis de Condorcet, favored a constitutionally limited government and equal rights for women. But she was horrified at how fast the totalitarian Jacobins seized power and launched the Reign of Terror.

Wollstonecraft dreamed that someday men and women would nurture each other as equals. "The man who can be contented to live with a pretty, useful companion, without a mind, has lost in voluptuous gratifications a taste for more refined enjoyments," she wrote, "he has never felt the calm satisfaction that refreshes the parched heart like the silent dew of heaven—of being beloved by one who could understand him."

Alas, she had an agonizing time applying these ideas to her own life. She became infatuated with the eccentric genius Henry Fuseli, but he was married and brushed her off after extended flirtation. While still in France, she fell in love with an American adventurer named Gilbert Imlay, who was always looking for a scheme to strike it rich. They had a daughter, Fanny, but he lost interest in both of them and walked out. Wollstonecraft attempted suicide twice. After the second incident, when she was being dragged out of the Thames, she renewed her resolve: "it appears to me impossible that I shall cease to exist, or that this active, restless spirit, equally alive to joy and sorrow, should only be organized dust. Surely something resides in this heart that is not perishable—and life is more than a dream."

While recovering from despair over Imlay, she took a three-month break with Fanny in Scandinavia and produced one of her most poignant works, *Letters Written During a Short Residence in Sweden, Norway and Denmark*. The letters were addressed to the unnamed American father of her child. They provide a travelogue laced with commentary on politics, philosophy, and her personal life. After witnessing the French Terror, she tempered her hopes for social change: "An ardent affection for the human race makes enthusiastic characters eager to produce alterations in laws and governments prematurely. To render them useful and permanent, they must be the growth of each particular soil, and the gradual fruit of the ripening understanding of the nation, matured by time, not forced by an unnatural fermentation." Throughout the book, Wollstonecraft struggled to cope with her grief about Imlay, and she conveyed an immediacy and tenderness that touches the heart. "If ever there was a book calculated to make a man in love with its author, this appears to me to be the book," remarked William Godwin.

Relationship with William Godwin

Wollstonecraft decided to pursue her acquaintance with Godwin, calling on him April 14, 1796. He had a large head, deep-set eyes, and a thin voice. "He seems to have had some charm which his enemies could not detect or his friends define, but which

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had a real influence on those who attained his close friendship," reported Godwin biographer George Woodcock.

Like Wollstonecraft, he had started a school, but his ideas were too radical, and the effort failed. His literary career had begun with a dull political biography, a book of sermons and some potboiler novels. Then London publisher George Robinson offered to pay Godwin enough of an advance that he could work out his philosophy. The result was *Enquiry Concerning Political Justice* (1793), describing his vision of a harmonious society without laws or war. The book established him as England's foremost radical thinker.

Godwin courageously spoke out against the British government's campaign to suppress the Corresponding Societies which were debating clubs interested in revolutionary ideas. Godwin wrote public letters supporting defendants. He charged that the government's campaign was illegal since none of the defendants had committed revolutionary acts of violence. These writings won widespread sympathy for the defendants, and further prosecution was abandoned.

At the time Wollstonecraft called, Godwin was a 42-year-old bachelor courting Amelia Alderson, a doctor's daughter. But he was intrigued with Wollstonecraft, despite his initial impression that she talked too much. He invited her to a dinner party the following week. Included were James Mackintosh and Dr. Samuel Parr, both of whom had written rebuttals to Burke's *Reflections on the Revolution in France*.

After Alderson rejected Godwin, he became more responsive to Wollstonecraft, and her passion overwhelmed him. "It was friendship melting into love," he recalled. But Wollstonecraft was haunted by fear of another betrayal. Godwin reassured her that he longed for a relationship between equals. Her passion surged again. "It is a sublime tranquility," she wrote him, "I have felt it in your arms." By December, she was pregnant. Both Wollstonecraft and Godwin had criticized marriage as a vehicle for exploitation, but they tied the knot on March 29, 1797. She rejoiced that she had found true love at last.

She went into labor during the early morning of Wednesday, August 30, 1797. She was attended by one Mrs. Blenkinsop, an experienced midwife. After 11 o'clock that night, a daughter was born—Mary, who grew up to be Mary Shelley, author of *Frankenstein*. For a while, it appeared things were fine, but three hours later, Mrs. Blenkinsop notified Godwin that the placenta still hadn't come out of the womb. The longer the placenta remained, the greater the risk of infection. Godwin called a Dr. Poignand who succeeded in removing much of the placenta. Wollstonecraft reported that the procedure was the most excruciatingly painful experience of her life.

That Sunday, she began suffering chills, an ominous sign of infection. Doctors offered wine to help ease the pain, and tried other measures to stimulate her body to eject the remains of the placenta. Wollstonecraft continued to decline. She died Sunday morning, September 10, 1797. Godwin was so overcome that he didn't attend the funeral, held at St. Pancras church where they had been married just five months before. She was buried in the churchyard.

Posthumous Influence

Soon afterwards, ever-loyal publisher Joseph Johnson issued Godwin's edition of the *Posthumous Works of the Author of a Vindication of the Rights of Woman*, together with Godwin's candid memoir about her. Although Godwin believed telling all would boost her reputation, it unleashed a firestorm of controversy, and her unsettled personal life became an easy excuse to belittle her ideas.

But as author Virginia Woolf remarked about Wollstonecraft decades later, "we hear her voice and trace her influence even now among the living." American crusaders for equal rights like Margaret Fuller, Lucretia Mott, and Elizabeth Cady Stanton were all inspired by *A Vindication of the Rights of Woman*.

In recent years, the women's movement

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has become linked with preferential treatment and hatred of men. Today, happily, more people are rediscovering Mary Wollstonecraft who established the individualist roots of equal rights. She took responsibility for her life. She educated herself. She showed how a woman can succeed with her wits. She urged everyone to achieve his or her human potential. She spoke out for vital economic liberties. She demanded justice. She championed relationships based on mutual respect and love. □

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THE FREEMAN
IDEAS ON LIBERTY

Russell Kirk's Economics of the Permanent Things

by John Attarian

While Russell Kirk (1918–1994) is properly recognized for his role in reviving American conservative thought, his ruminations on economics have received little attention. Yet he gave economics due consideration, and was a sturdy friend of economic freedom and a foe of statism. Moreover, because he drew on religion, morality, and a comprehensive view of human nature, Dr. Kirk achieved important insights in political economy that a purely economic approach would have missed.

Kirk's starting point was belief in God and a "belief in an order that is more than human,"[1] which rules both society and individuals. A transcendent God implies that eternal truths exist, that "human nature is a constant, and moral truths are permanent."[2]

This conviction that certain norms, or enduring moral standards, exist was central to Russell Kirk's world view; upholding them was his life's work. These "Permanent Things"—norms of courage, duty, justice, integrity, charity, and so on—owe their existence, and authority, to a higher power than social good.

For Kirk, loyalty to the Permanent Things is the standard for judging individuals, societies, and institutions. "Real progress consists in the movement of mankind toward the understanding of norms, and toward conformity to norms. Real decadence consists in the movement of mankind away from the understanding of norms, and away from obedience to norms."[3]

One of the central elements of Kirk's view of human nature was his belief in the tenets of orthodox Christianity. Made in God's image and likeness but fallen and imperfect, man is a mixture of good and evil. And as a spiritual being, man has deep needs of a spiritual nature. People are inherently restless, and need challenges and adversity to keep them and their love of life keen:

> Something in human nature seems to call for the possibility of a real victory in life—and the possibility of a real defeat. Life is enjoyable only because Hope exists: hope for success of one sort or another. And hope for success cannot exist without a corresponding dread of failure. In a very real sense, life is a battle; we never could be happy were it otherwise.[4]

A crucial corollary is that "life without obstacles is boredom, just as life without purposeful work is infinitely dreary," and wealth "without duties or challenges" spells lifelong unhappiness. "Mankind," Kirk warned, "can endure anything except boredom."[5] Without challenges, people turn to mischief and escapes.

Kirk also stressed prudence. Human nature is imperfect, society is complex and reckless, shortsighted policies may not only

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fail, but produce worse evils than they address. Necessary reforms should be thoughtful and judicious.

Moral Foundations of the Market

These beliefs were the foundation of Kirk's advocacy of the free-market system. Kirk insisted that economics cannot be separated from morals and character: "material prosperity depends upon moral convictions and moral dealings"—specifically, a high degree of honesty, industry, charity, and fortitude. Intellect, initiative, shrewdness, vigor, and imagination are also crucial.[6] He argued that a free economy is the best economic system for encouraging these characteristics and virtues:

> "Ordinary integrity," Edmund Burke wrote, "must be secured by the ordinary motives to integrity." Men and women are industrious, thrifty, honest, and ingenious, in economic life, only when they expect to gain certain rewards for being industrious, thrifty, honest, and ingenious . . . the vast majority work principally out of self-interest, to benefit themselves and their families. There is nothing wrong with this state of affairs; it is merely a condition of ordinary human nature. Competition puts a premium on industry, thrift, honesty, and ingeniousness, for the slothful, the spendthrift, the known cheats, and the stupid fall behind in the economic contest of free enterprise.[7]

Like Adam Smith, Kirk held that pursuing self-interest serves the public interest. Moreover, "Industry, thrift, honesty, and ingeniousness deserve concrete rewards. A competitive economy provides these rewards."[8] He argued that free enterprise is not only useful in rewarding these virtues, but good and just: better than other economic systems, it encourages loyalty to the Permanent Things.

Similarly, Kirk recognized that "Ability is the factor which enables men to lift themselves from savagery to civilization." Like virtues, ability requires rewards—including material rewards. A society which doesn't reward ability stagnates.[9]

Competition

With keen insight, Kirk argued that free enterprise best suits our nature in another way: its competition provides the struggle against obstacles which true happiness and fulfillment require. Its freedoms and choices, e.g., of occupation, help meet "the fundamental human longing for self-reliance. They make men and women free."[10]

Morally, too, competition surpasses other systems. If ethical and governed by conscience, competition benefits all:

> As Samuel Johnson said once, "A man is seldom more innocently occupied than when he is engaged making money. . . ." Economically and morally, a competitive system is nothing to be ashamed of. On the contrary, it provides for human wants, and respects human freedom, far better than any vague scheme of reliance solely upon altruism, or any system of forced labor. In essence, it is not competition which is ruthless; rather, it is the lack of competition that makes a society ruthless; because in a competitive economy people work voluntarily for decent rewards, while in a non-competitive economy a few harsh masters employ the stick to get the world's work done.[11]

Property

Private property too received Kirk's vigorous endorsement. Besides making the argument that private property is essential to freedom,[12] Kirk went much further. Property is a prerequisite of civilization and culture. "Unless property is secure, there can be no civilized life; for without the right to keep what is one's own, and to add to that if possible, there can be no leisure, no material improvement, no culture worthy of the name."[13]

Moreover, property fosters right soulcraft; "it is one of the most powerful instruments for teaching men and women responsibility, for providing motives to integrity."[14]

Finally, Kirk deemed saving a bulwark of freedom, since it gives material independence and security, thereby averting servile dependence on government. In rewarding

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saving, the market economy promotes freedom.[15]

In sum, Dr. Kirk saw a free economy as the economic system best suited for promoting loyalty to the Permanent Things he cherished. But Kirk's endorsement of the market sprang not from spiritual and moral truths alone. Its other root was a firm grasp of economic realities. He never forgot Irving Babbitt's wise admonition that imagination and theorizing should be "disciplined to the facts."[16]

The State

Like his defense of the free economy, Dr. Kirk's rejection of statism combined philosophical and economic considerations. Keenly aware of human imperfectibility and reality's constraints, he categorically rejected all utopian economic schemes. Utopia, he reiterated, means Nowhere. Only incremental improvements in the human condition are possible—and the only real progress is within individual characters and consciences.[17]

Prudence, too, argues powerfully against statism. "Society is not a machine," Kirk saw, but rather "a delicate growth or essence,"[18] with causality running between economy, society, and culture in complex ways. Prosperity makes a flourishing culture possible; but Rome's decline shows that government economic mismanagement "may undo a high culture."[19] Also, "our industrial economy, of all systems man ever created, is that most delicately dependent upon public energy, private virtue, and fertility of imagination."[20] Hence the need for caution, lest government disrupt the economy and exact unforeseen forfeits. For example, while government cannot create ability, statism *can* extirpate it. "The thing has been done before."[21] Better that we not meddle with things we don't understand.

Furthermore, imperfect people cannot be trusted with much power. Kirk exploded both statists' moral pretensions and democratic ideologues' crass error of confusing democracy with liberty:

> To say that the "democratic" state would not deprive anyone of liberty is to play upon words. The democratic state, like any other, is directed by individuals, with all the failings to which humanity is heir, especially . . . the lust for power. To suppose that the mass-state would be always just and generous toward its slaves is to suppose that there would exist, upon all its levels, a class of philosopher-kings superior to human frailty, purged of lust and envy and petty ambition. But in modern America we have no such class to draw upon; indeed, often we seem to be doing what we can to abolish that sense of inherent responsibility and high honor which compensates a patriarchal or feudal society for its lack of private liberty.[22]

A command economy is not only unfree, it stifles individual growth: providing for people's wants and making their choices for them keeps them in "perpetual childhood," thus discouraging "full development of mind and character."[23]

Desire for security inspired much of modernity's drive to statism, but Kirk warned that swapping freedom for security is "a devil's bargain." Political freedom, individual rights, and economic freedom stand or fall together. And once the free market's ordinary rewards for ordinary integrity disappear, economic performance inevitably declines. "In the modern industrial world, it really is not possible to buy economic security at the price of liberty."[24]

Since productive work is indispensable, and requires material rewards as both incentives and rightful "ordinary rewards for ordinary integrity," Kirk warned especially against excessive taxation. It not only discourages work but depresses private saving below that needed to replace and increase capital, thus diminishing production.[25] Likewise, overregulation discourages enterprise, investment, and production.[26]

Dr. Kirk was a scathing critic of Social Security. Centralized, compulsory, wielding ever-expanding arbitrary power, it "bears nearly all the marks of a remorseless collectivism."[27] While acknowledging that some people wouldn't save on their own, he maintained that it would be better "morally and economically" to let them make their

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own mistakes and to provide voluntary charity, than to embrace forced saving. He argued that Social Security's stated motive, provision for the poor elderly, is disingenuous; the real reason for Social Security's expansion is that it gives the government access to "a vast reserve of money and credit," and is "disguised taxation," evading opposition to new taxes.[28] Kirk's robust *moral* denunciation of Social Security, as tyrannical and mendacious, towers over today's conservatives' ingratiating endorsement and proposals to "save" it.

One great strength of Kirk's viewpoint is that he spotted pernicious consequences of statism ramifying in directions which economists commonly overlook. Not only is the inheritance tax a confiscatory capital levy,[29] it undermines the natural aristocracy of wealth and *noblesse oblige* that provides leadership and cultural patronage. "No social institution does more to develop decent leadership and a sense of responsibility than does the inheritance of large properties, and of the duties that accompany those properties."[30] Furthermore, the inheritance tax weakens the social fabric by damaging the family's economic base, as "a capital levy discriminating against family enterprises and partnerships" and threatening "dissolution of family farms of any extent."[31]

Likewise, assessing real property at "speculative current market values—that is, taxing real property at what it *might* be worth if converted to other uses—has encouraged the destruction of farmland and of farm families in the neighborhoods of growing cities and towns." It thus abets urban sprawl and the demise of the farm population and the farm family,[32] a bulwark of traditional *mores*.

Inheritance, capital gains, and progressive income taxation make launching new small businesses out of personal savings, and maintaining existing ones, extremely difficult. Family businesses are forced to incorporate, or sell to large corporations.[33] Such taxation encourages retail consolidation, thereby abetting loss of humane scale in retail trade, uglification of towns as old buildings are razed for less attractive modern ones, and replacement of small businessmen involved in local life with managers of large impersonal corporations.[34]

For Russell Kirk, then, statism was both morally wrong and, in flouting the realities of economics and human nature, destructive. Moreover, its corrosive effects on culture, social life, and character promote "true decadence"—forsaking the Permanent Things.

Order and Liberty

Kirk believed that government has a valid role. Human nature being what it is, "in any tolerable society, order is the first need. Liberty and justice may be established only after order is reasonably secure."[35] Historically, people used government to establish order. Neither property nor markets can function without it. Property can exist "only when some form of political order ensures that a man may keep what is his own."[36] Markets require protection against theft and fraud; enforcement of contracts; and reliable weights and measures. "In these and other ways, markets are made possible by political authorities. Otherwise, buyers and sellers could not come together to exchange goods safely. *Without political protection, even the most simple market economy would collapse.*" (Kirk's italics) Violence and crime plagued the California gold rush until orderly government was established in 1849.[37]

Moreover, Kirk knew the limits and costs of things economic. Modern controversies, he maintained, overemphasize economics. The real conflict "is between *traditional society,* with its religious and moral and political inheritance, and *collectivism*" (Kirk's italics).[38] Ultimately, the clash is between "opposing concepts of human nature."

His view that people are spiritual beings led Kirk to maintain that though a prosperous economy is good in itself, "its real importance is the contribution it makes to our justice and order and freedom, our ability to live in dignity as truly human persons. . . . Economic production is merely

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the means to certain ends."[39] Those ends are "to raise man above the savage level, to make possible the leisure which sustains civilization and to free man from the condition of being a simple drudge." Regarding efficiency as an end in itself merely duplicates the error of Communism.[40]

Kirk realized better than many of capitalism's other defenders that economic activity does not occur in a vacuum; free markets require moral, cultural, and social foundations. Ideas and beliefs govern conduct,[41] and exist in a hierarchy. Religious ideas are the most fundamental: "culture springs from the cult," as does morality. Morality's primary purpose is "to order the soul and to order the human community, not to produce wealth. Nevertheless, moral beliefs or disbeliefs have economic consequences."[42] "Political problems, at bottom, are religious and moral problems."[43] Thus, capitalism "is a development from certain moral assumptions of Western civilization" and "can exist and prosper only within a moral order."[44] Christianity condemns envy, thus helping protect the market from its enemies. But as religion wanes, envy and blaming free markets and property for one's frustrations—and therefore statism—grows.[45]

Dr. Kirk's ultimate assessment of free enterprise was positive, and his outlook cheerful: "there is reason to believe that the productive market economy will be functioning well a century from now. The errors of command economies and the blunders of utopian welfare states have become obvious to a great many people, while Adam Smith continues to make economic sense."[46]

The free economy's foes often argue that there is more to life than economics. Indeed there is, Dr. Kirk realized—and a free economy, provided it is operated by humane people, serves humane values and the Permanent Things best. Defenders of economic freedom would do well to steep themselves in the wisdom of Russell Kirk. □

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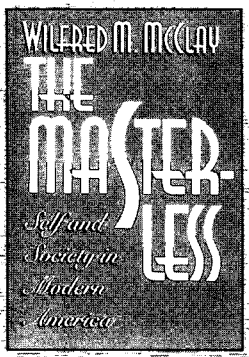

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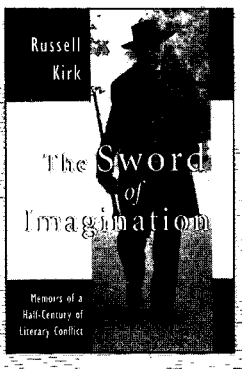

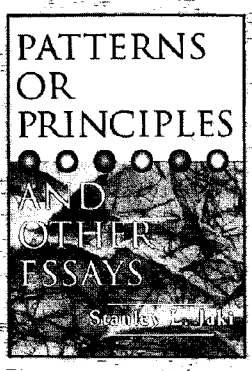

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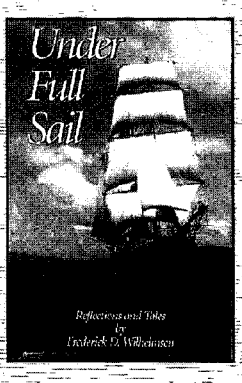

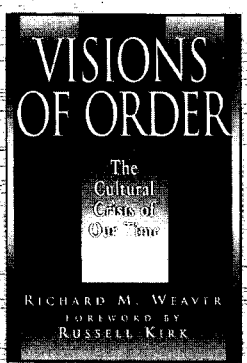

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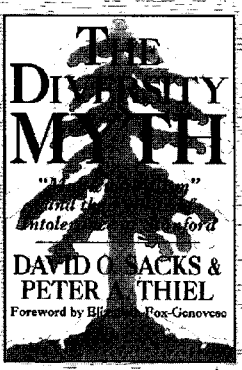

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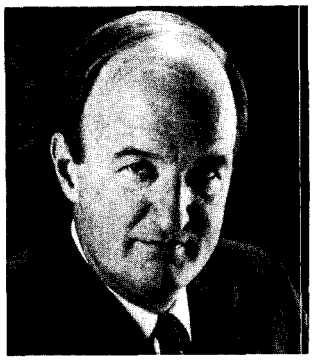

Who Deserved the Nobel Prize?

"Prizes shall be awarded to those persons who during the previous year have rendered the greatest service to mankind."
—Alfred Nobel's last will (1895)

Since 1969, the Nobel Memorial Prize in Economic Science has been awarded to more than two dozen eminent economists, including Paul Samuelson, Friedrich Hayek, Milton Friedman, James Tobin, and Robert Solow. Last year the winner was Robert Lucas, the Chicago economist who developed the rational expectations theory.

Lucas's winning the Nobel Prize reflects the growing dominance of free-market economics in the profession. In fact, economists from the University of Chicago received the award in five of the past six years. The prize, established by the Bank of Sweden, is awarded by a six-man committee, headed by Assar Lindbeck, who has gradually grown more conservative over time. Economist Robert Kuttner bemoans the fact that several prominent Keynesians were ignored by the Nobel committee during their lifetimes: Joan Robinson, Nicholas Kaldor, and Sir Roy Harrod (*Business Week*, November 12, 1990).

Are there any free-market economists who failed to receive the Nobel Prize? I asked several colleagues to name their favorite deceased economist who was still alive in 1969, why that economist deserved the award, and what major works should be cited. Their choices were as follows.

Ludwig von Mises

Ludwig von Mises (1881–1973), the preeminent Austrian economist, was everyone's first choice. Of his many original contributions, three stand out: the theory of the business cycle, the socialist calculation debate, and methodology. Most important works: *Theory of Money and Credit* (1912), *Socialism* (1922), and *Human Action* (1949, 1966).

Murray N. Rothbard

Murray N. Rothbard (1926–1995), the libertarian iconoclast who popularized Misesian economics in America, was nearly everyone's second choice. He made original contributions in welfare economics and monopoly and tax theory, but was best known for his remarkable ability to write clearly and profoundly about money, business cycles, and government policy. Major works: *Man, Economy and State* (1962), *America's Great Depression* (1963), and *Power and Market* (1970). His booklet *What Has the Government Done to Our Money?* has probably had the greatest influence of all. Several colleagues also men-

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tioned his last great work, a two-volume history, *Economic Thought Before Adam Smith* and *Classical Economics* (Edward Elgar, 1995).

W. H. Hutt

William H. Hutt (1899–1988), a classical economist who for half a century taught at the University of Cape Town, was frequently mentioned as a third candidate. Hutt's major contribution was in labor economics, wherein he argued that persistent unemployment was due to above-market wage rates imposed by government regulations. He was a long-time critic of Keynesian economics and apartheid in South Africa. Major works: *The Theory of Idle Resources* (1939), *Keynesianism: Retrospect and Prospect* (1963), and *Economics of the Colour Bar* (1964).

My fellow economists also recommended several other names: Oskar Morgenstern for his *Theory of Games and Economic Behavior* (1944, co-authored by John von Neumann) and *On the Accuracy of Economic Observations* (1950); Gottfried Haberler for his *Prosperity and Depression* (1937) and his exposition of the Austrian theory of the trade cycle; Frank Knight for his *Risk, Uncertainty and Profit* (1921); Jacob Viner for his history of economic thought and the development of cost theory in *The Long View and the Short* (1958); and Henry Hazlitt for his *Failure of the "New Economics"* (1959).

Surprisingly, several free-market economists felt that Joan Robinson (1903–1983) merited the Nobel Prize, not for her politics, but for her scientific contributions, such as *The Economics of Imperfect Competition* (1933). In 1975, she was widely expected to win the Nobel Prize, but was ultimately denied it because of her extreme political views and her admiration of Mao's China and Kim Il Sung's North Korea.

What Nobel Really Wanted

In reviewing the winners of the Nobel Prize, I wonder how well the Nobel committee has matched Alfred Nobel's original desires. His last will and testament created five prizes (physics, chemistry, physiology or medicine, literature, and peace), all for actions that were to benefit mankind in a very practical sense, much like his invention of dynamite. Dynamite is not used solely as a tool of war; it plays a valuable role in mining, construction, and transportation. Nobel's last will is filled with words such as "discovery," "invention," "improvement," "ideal," "brotherhood," and "peace." In sum, scientists, authors, and activists who have improved the lot of mankind deserve the Nobel Prize.

In the past, the Swedish academies have given prizes to outstanding citizens who have rendered the "greatest services to mankind": Roentgen for discovering x-rays, Marconi for developing the wireless telegraph, Banting for isolating insulin, and Fleming for discovering penicillin. Yet, at the same time, the Swedish Royal Academy has awarded many obscure and sometimes minimal contributors while ignoring many noteworthy individuals. In literature, for example, Mark Twain and Leo Tolstoy never received Nobel honors.

In science, the following were overlooked: Thomas Edison for the electric light bulb; August and Louis Lumière for motion pictures; Willis Haviland Carrier for air-conditioning; Orville and Wilbur Wright for the airplane; Henry Ford for mass production; George Washington Carver for agricultural techniques; Vladimir Zworykin and Isaac Shoenberg for television; Robert Watson-Watt for radar; Frank Whittle and Hans Pabst von Ohain for the jet engine; Chester Carlson for xerography; Howard Aiken, John P. Eckert, Jr., and John W. Mauchly for the digital computer; Jonas Salk for the polio vaccine; and Ted Hoff for the microprocessor. (I thank Michael H. Hart, author of *The One Hundred: A Ranking of the Most Influential Persons in History* [Citadel, 1992], for providing this wish list of potential Nobel winners.) Surely these men have made a significant difference in our way of life and standard of living.

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A Nobel for W.E. Deming?

In keeping with the spirit of Nobel, the Nobel Memorial Prize in Economic Science ought to expand its universe from high theory to applied science. If the Nobel Prize can go to finance theorists such as Harry Markowitz, perhaps it could be extended to management theorists, statisticians, and entrepreneurs. For example, surely W. Edwards Deming (1900–1993) deserved the Nobel Prize in economics. Although not a trained economist, his dynamic "quality-control/consumer research" approach developed in post-war Japan revolutionized the world of production, consumption, and job creation as much as any Friedman or Samuelson. □

Private Cures for Public Ills: The Promise of Privatization

edited by Lawrence W. Reed

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BOOKS

The Vandals' Crown: How Rebel Currency Traders Overthrew the World's Central Banks

by Gregory J. Millman

The Free Press • 1995 • 305 pages • $23.00

Reviewed by Raymond J. Keating

The first 225 pages of *The Vandals' Crown* generally make for interesting reading—describing some fascinating developments in financial markets and the economy. The remaining 50 or so pages unfortunately skew off in a different direction—either better left for another book or simply discarded altogether. Much of this book, though, lives up to its tantalizing subtitle—"How Rebel Currency Traders Overthrew the World's Central Banks."

Author Gregory J. Millman explores various intriguing moments in monetary history. He writes of France's great inflation between 1418 and 1423 and takes note of John Locke's contribution to monetary thought. He also offers a brief discussion of the gold standard, pointing out that one of the great merits of gold is its ability to restrain the activities of monetary authorities. After all, inflation results from government's mismanagement of monetary policy. Indeed, the author clearly shows that even gold-based monetary systems go awry when government officials tinker with and try to circumvent the system's disciplines. Among the examples of government mischief he cites are the trade war and currency devaluations of the Great Depression, and the inflationary U.S. monetary policy that eventually destroyed the flawed Bretton Woods monetary regime.

As the U.S. dollar was de-linked from gold—effectively in the late 1960s and officially in 1971—a new source for monetary discipline had to be found. This is where *The Vandals' Crown* shines. Millman tells the story of how currency markets developed and grew, and eventually how more powerful, efficient, and integrated financial markets now work to impose some checks and balances on both government fiscal and monetary policies.

Millman sets the tone for this story early on by noting: "Although investors have always had to take into consideration the quality of a government's management of its economy, traders now have an unprecedented degree of power to sweep the financial foundation out from under poorly managed, politically unstable, or uneconomic governments before the bureaucrats even know what has happened." He continues: "For better or worse, since the collapse of the Bretton Woods international monetary order, traders provide the only financial discipline the world knows."

The reader might expect the author to wrap up such a book perhaps with an analysis of how the economy performs under today's intertwined monetary, fiscal, and financial systems. However, Millman concludes this book with a look at a host of legal infractions and shady schemes concocted by various financial traders over the past few years. Millman sought to show "the weaknesses of a financial system that is more efficient than any financial system in history, but may also be more vulnerable to moral hazard than ever before." *The Vandals' Crown* tarnishes in these last pages.

After showing the shortcomings (namely, inflation) of monetary policy under the discretion of government bureaucrats, Millman seemed compelled to attack the individuals operating in the financial markets as well. Human nature is human nature, but the author offers no comprehensive and compelling arguments as to why more efficient financial markets might be *more* "vulnerable to moral hazard." His substantial emphasis in the closing pages on the wrongdoings of a handful of players in the financial markets also gives the mistaken impression that corruption is widespread and such individuals possess the capabilities to wreak catastrophic economic havoc.

Markets ensure that individuals rarely, if

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ever, possess such power. The competitive marketplace possesses real checks and balances, which make widespread corruption impossible. After offering an often eloquent explanation as to how markets can act as a disciplining force on government, Millman should understand that markets, operating within a sound system of property rights, discipline themselves.

In the end, the ability of the government to do substantial economic evil far outstrips that of the individual. Even with the checks provided by financial markets, as explained in *The Vandals' Crown*, government misdeeds continue, with markets, the economy, and individuals paying the price. This should have been Mr. Millman's closing caveat. □

Mr. Keating is chief economist with the Small Business Survival Foundation.

Shake-Down: How the Government Screws You From A to Z

by James Bovard

Viking • 1995 • 141 pages • $14.95

Reviewed by William H. Peterson

Item: A federal program routinely subsidizes welfare families living in oceanfront apartments in upscale La Jolla, California.

Item: The Food and Drug Administration refuses to approve a machine that gives CPR to heart attack victims because the victims cannot give their informed consent.

Item: The Federal Highway Administration proposed a special waiver for the disabled to allow truck drivers to be qualified to drive even if they were blind in one eye and had weak vision in the other.

The above items are gleaned from this exposé of overweening, inept, ham-fisted government, prodding James Bovard to ask: Has our government run amok?

Good question, and one put forth by the author of *Lost Rights: The Destruction of American Liberty*. James Bovard, a contributor to the *Wall Street Journal* and the *New York Times*, here exposes a host of outrageous and absurd infringements on life, liberty, and the pursuit of happiness. The infringements are rife and they spring from petty bureaucrats and zealous officials, elected and unelected.

Mr. Bovard reminds us of an April 1995 Gallup Poll revealing that 39 percent of Americans hold that "the federal government has become so large and powerful that it poses an immediate threat to the rights and freedoms of ordinary citizens." He notes that President Clinton meanwhile regularly denounces public cynicism about government goodness and purity.

The Bovard approach alphabetically arranges cases of government running amok from A to Z.

Under A, for example, he treats affirmative action, noting Equal Employment Opportunity Commission chairman Clifford Alexander making the case for quotas and declaring in 1968: "We . . . here at EEOC believe in numbers. . . . Our most valid standard is in numbers. . . . The only accomplishment is when we look at all those numbers and see a vast improvement in the picture."

The U.S. Forest Service got criticized on numbers for not hiring enough female firefighters (many woman applicants are unable to pass the Service's strength tests for lugging heavy firefighting equipment). Upshot: It advertised: "Only unqualified applicants may apply."

Under M, Mr. Bovard observes the lengths to which the Drug Enforcement Administration goes to stamp out the evil of medical marijuana: In La Mesa, California, a citizen was sentenced to prison for 16 months for raising a tiny amount of marijuana to treat his AIDS symptoms.

DEA steadfastly refuses to allow doctors to prescribe marijuana to treat glaucoma that could turn into total blindness, despite findings by Yale medical Professor Steven Duke and others of marijuana's positive therapeutic effects on the disease.

Under Z, Mr. Bovard goes after zoning abuses: Coral Gables, Florida, charges residents $35 to get a permit to paint the bathroom in their home—or the dining room

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or any other room. Local building inspectors patrol the streets looking for painting trucks parked at homes which may have not paid the fee.

In 1993 the New York City building inspector bushwhacked Fordham University. Fordham had gotten a permit to build a 480-foot radio tower on its Bronx campus. But after getting the tower half-finished, NYC reversed its position and revoked the permit, setting Fordham back by $500,000. (Was Fordham reimbursed? You must be kidding.)

As Bovard quotes Albert Jay Nock: "How little important it is to destroy a government, in comparison with destroying the prestige of government." Agreed. □

Dr. Peterson, an adjunct scholar at the Heritage Foundation, is Distinguished Lundy Professor Emeritus of Business Philosophy at Campbell University in North Carolina.

Revolution at the Roots: Making Our Government Smaller, Better, and Closer to Home

by William D. Eggers and John O'Leary

The Free Press • 1995 • 405 pages + index • $25.00

Reviewed by James L. Payne

For the general reader, *Revolution at the Roots* provides a comprehensive survey of government-shrinking attempts around the nation. Prodigiously researched, it takes us to every corner of the land: welfare reform in Wisconsin, Michigan, and New Jersey; budget control in New York and Philadelphia; tax and spending limits in Arizona and Colorado; community policing in Houston; vouchers in Milwaukee. Prominently mentioned are the private, voluntary organizations which prove they can do a better job than government: the Marcus Garvey school for inner city youngsters in Los Angeles (where second-graders read college texts), the St. Martin de Porres shelter for women in Chicago, and dozens of others.

For partisans of liberty, however, this book is something of a disappointment. Eggers and O'Leary are staffers at the Reason Foundation, the libertarian think tank that publishes *Reason* magazine. Their problem is a familiar one for those on the Right: how to criticize government without offending the mainstream politicians and journalists who are so deeply committed to it. Not surprisingly, they pull their punches. The result is a book about shrinking government which fails to explain *why* government should be shrunk.

They mean their book to be a right-wing answer to David Osborne and Ted Gaebler's *Reinventing Government*. The premise of that book, eagerly embraced by the Clinton administration, is that government should not be viewed as a necessary evil: it is a worthy problem-solving machine that just needs an injection of efficiency and flexibility. While Eggers and O'Leary make some conservative points, they don't take issue with this basic outlook. Their remedies closely resemble Osborne and Gaebler's: introduce competition, cut down on red tape, and so on. As a result, they say, we will end up with "better" government. Kept under cover is the argument that government has a fatal flaw that cannot be reformed away.

After a few hundred pages, the reader starts to wonder whether Eggers and O'Leary are purposely omitting discussion of this fatal flaw, or just aren't aware of it. Their principal reform idea is actually rather pro-government, the so-called "Tenth Amendment Revolt." The aim is to reduce the federal government by getting state governments to take over many of its activities. For example, they are all for having government fund mental hospitals; they just don't want the federal government to do it.

A libertarian would hardly concede a governmental role so easily. The fatal flaw looms too large in his thinking, namely that government action is based on the initiation of force, which is an inherently corrupt, and corrupting, way to approach public problems. For real libertarians, talking about

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better government is like speaking of better war: an oxymoron.

Ignoring libertarian roots also means that Eggers and O'Leary give away the moral high ground. Thinking people on all sides are now coming to realize that government does not have a promising future. Nobody expects—as the socialists of earlier generations expected—that government will bring us to utopia, or even to a harmonious, functional community. Now the debates are about limiting the damage. By accepting government as society's problem-solver, Eggers and O'Leary join the fatigued pessimism of the modern mainstream. They concede that none of their reforms, even if fully implemented, will bring impressive results. The best we can hope for, they say, are "minor improvements."

Is this all we have to offer future generations? Is this what we want on our tombstones, that we made minor improvements in a fundamentally sick system? What happened to the vision of a voluntary society? We have abundant proof that voluntary institutions do work. Think of the glorious future that beckons if we deliberately expanded these approaches. We can see, almost within reach, a society based on cooperating with our neighbors instead of forcing them.

Idealistic? Probably a little. But if libertarians don't do the dreaming, who will? □

Dr. Payne, a contributing editor of The Freeman, *is a Bradley Fellow at the Heritage Foundation and the author of* Costly Returns: The Burdens of the U.S. Tax System.

Wildlife in the Marketplace

edited by Terry L. Anderson and Peter J. Hill

Rowman and Littlefield Publishers • 1995 • 191 pages • $22.95 paperback

Reviewed by Jane M. Orient

This compendium of nine articles takes examples from the Hudson's Bay Company, 1700-1763, to emerging Africa, to show how to turn wildlife from a liability into an asset. It is not a collection of rhetoric but of detailed economic analyses of how to manage wildlife resources, including endangered species, buttressed with a wealth of references, tables, and graphs.

The extinction of species is not a modern phenomenon. In the British Isles, the wolverine, wild boar, and lynx were probably gone before historic times. However, in modern times, property rights to large holdings in Britain (where 92 percent of the land was privately owned in the late 1800s, in contrast to 28 percent in the United States) gave English landowners ownership rights to the ambient wildlife as well. English law is a more promising model for preserving species than is the myth of the "noble savage" (the American Indian).

One particularly interesting analysis of the "economics of fatal mistakes" concerns endangered predators such as eagles. We currently have a fine-and-imprisonment system, but the bounty for killing an eagle is nonetheless about $25. Ranchers have an incentive to kill eagles because of the damage they cause. In a free-market scheme to protect eagles, someone (groups of conservationists?) would have to compensate owners for livestock lost to predation.

The discussion of elephants shows how conservationists often have things backward. The ivory trade, rather than being a threat, may be a means to preserving an animal that is very destructive to agriculture. "The African farmer's enmity toward elephants is as visceral as western mawkishness is passionate," states the book, quoting David Western. The right to profit from their ivory would give someone an incentive to preserve the elephant.

The book challenges the assumption that public management is always the best way to preserve wildlife. Natural areas now have to pay their way in political currency: "It is entirely possible, depending upon who happens to exercise political control, that they will fare better in the economic market than they do in the political market. Those who seek the free lunch promised by public management always run the risk that others will be served."

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Parts of the book are quite technical, and it is not on the whole intended for casual reading. It is a valuable resource for those engaged in serious study of innovative ways to conserve wildlife while meeting the needs of human beings. □

Dr. Orient is an internist in solo private practice. She serves as the Executive Director of the Association of American Physicians and Surgeons. She wrote Your Doctor Is Not In: Healthy Skepticism about National Health Care *(Crown, 1994).*

Private Cures for Public Ills: The Promise of Privatization

edited by Lawrence W. Reed

The Foundation for Economic Education • 1996 • 208 pages • $14.95 paperback

Reviewed by E. S. Savas

This volume might well be called *A Privatization Anthology*, for it brings together a fine selection of articles on the subject that have appeared over the last dozen years. Most of the 24 chapters (nineteen of them) were first published in *The Freeman*; another, by the editor, Larry Reed of the Mackinac Institute in Michigan, is an original article written expressly for this book.

The book is well organized, divided into six sections: (1) the conceptual basis for privatization, studded with well-chosen quotations from Adam Smith, Ludwig von Mises, and Friedrich Hayek; (2) opportunities for privatization at the federal level; (3) transportation privatization; (4) privatization applied to the natural environment; (5) opportunities for privatization at the state and local level; and (6) overcoming the opposition to privatization. The chapters in this slim tome are brief and snappy. Averaging about seven pages in length, each is an easily digestible morsel. The reader can dip in anywhere and find rewarding intellectual nourishment. Despite the fact that three-quarters of the chapters first appeared in print in the 1980s, their message is neither dimmed by time nor faded by familiarity: They are as valid today as they were when first written. Many more recent writings provide much greater detail and depth, of course, and many well-documented experiences since then have confirmed the expectations of those of us who are among the earliest "privatizers." But for the reader who wants just a light exposure that nevertheless covers the waterfront, this book satisfies the need. Considering that there are now about 150 English-language books on the subject, this is no mean accomplishment.

In his chapter, Hans Sennholz deems divestment to be the only acceptable form of privatization, and warns that other forms of privatization—contract, franchise, or voucher—will save no money and will instead perpetuate a large and even growing government role in society as private firms join the chorus for more government spending. That concern was not misplaced in 1987, but the evidence now is overwhelming that large savings and a decline in the number of government employees are realized by introducing competition into the delivery of public services. Indeed, this is the most common form of privatization in the United States, and it has been adopted most effectively at the local level, where financial constraints have been most binding (unlike the federal government, cities can't print money) and services are most visible to the populace. "Contracting out" works, when it's done right, and in my opinion this is a good way to privatize collective (that is, "public") goods. One must remain alert, however, to the danger that programs which government should not be engaged in at all (providing individual or private goods) would be maintained through contracts or vouchers and sold under the banner of privatization.

The section on federal privatization opportunities focuses on welfare, space, and postal service. The one on transportation deals with railroads (in Japan and Michigan) and private roads, and explains how privatization of roads can greatly improve highway safety. The section on privatization in state and local government addresses

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planned communities, prisons, and schools, and ends with a chapter that rightly raises the alarm that further federal intrusion into education, under the guise of aiding and improving the schools, will bring down private schools to the low level of many government-run schools.

Dwellers in metropolitan areas are too rarely exposed to the idea that privatization can protect the environment and preserve natural resources. Instead they are subjected to a steady drumbeat from an urban elite—the self-styled, virtuous guardians of the environment—that the private sector, in its lust for profits at any cost, is a ruthless despoiler of the environment. It is particularly satisfying, therefore, to find four fine essays that address this topic, in a section entitled "Private Property and Environmentalism." Clint Bolick points out that under public (i.e., government) ownership of forests and grazing lands, management and effective property rights are exercised by self-interested bureaucrats and, as a consequence, the public interest is generally overlooked or thwarted. He provides a fine primer on the issues and explains persuasively and without rhetoric how private ownership can better achieve the public purpose. Reed continues the section with his eye-opening chapter that presents case studies of private firms and not-for-profit groups that preserve wilderness sites and provide full access to the public.

The next chapter, by two South Africans, Nancy Seijas and Frank Vorhies, gives a fascinating account of private preservation of wildlife in the South African bush. Twenty private reserves, bound together in a voluntary consortium, enable visitors to see lions, cheetahs, elephants, giraffes, hippos, rhinoceroses, and other exotic (to Americans) species in their natural habitats. It is in the interest of these businesses to maintain conditions and to protect the animals from poachers—an ever-present problem when animals are owned by "the public" in government sanctuaries. The last chapter in this section brings us back to the United States in a discussion of private ownership and other privatized approaches to the support and operation of big-city zoos. Those whose only prior exposure to privatization has been newspaper stories about garbage collection and private prisons should find this entire section to be an awakening as to the breadth and full import of privatization.

My own definition of privatization is reflected throughout the book: privatization means relying more on the private institutions of society—the market, voluntary groups, and the family—and less on government to satisfy people's needs. □

Professor Savas is Director, Privatization Research Organization, School of Public Affairs, Baruch College, City University of New York.

The Sacred Fire of Liberty: James Madison and the Founding of the Federal Republic

by Lance Banning

Cornell University Press • 1995 • 543 pages • $35.00

Reviewed by William J. Watkins, Jr.

Historians have painted James Madison as a young centralizer and nationalist who later defected to the philosophy of states' rights and strict construction of the Constitution. Madison was also accused of philosophical apostasy by his contemporaries. Alexander Hamilton, his collaborator on *The Federalist*, bitterly complained that after 1789 Madison was "seduced by the expectation of popularity" in Virginia and thus opposed his former allies.

Madison's political thought, however, is much more complicated than critics and historians would have us believe. In *The Sacred Fire of Liberty*, Lance Banning attempts to demonstrate that Madison did not change horses in midstream, but rather acted consistently throughout his career.

Banning begins by examining Madison's stances in the Continental Congress in the early 1780s. The young Madison, according to Banning's research, was strikingly similar to the Madison of the 1798 Virginia Reso-

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lutions, which boldly enunciated the compact theory of the Constitution. While in the Continental Congress, Madison opposed an independent federal power to impose taxes, insisting that his native Virginia was absolutely sovereign within her chartered bounds. In an incident foreshadowing a clash with Hamilton, Madison fought a plan for a national bank on the grounds that the power to charter a corporation was not enumerated in the Articles of Confederation. Madison evinced frustration at the Congress's powerlessness to carry out its delegated functions, but did not seek to expand these functions except in the realm of trade.

Madison's experiences in the Continental Congress led him to craft the Virginia Plan at the Constitutional Convention. At the convention, Madison joined with the nationalists in recreating the federal government, but Madison the nationalist was far different from the Hamiltonian nationalists. Madison, in Banning's view, merely sought "a constitutional device that could secure the general government's supremacy *within a system where the overwhelming burden of responsibilities would still be carried by the states.*" (Italics in original) The Northern commercial elites, on the other hand, had plans for a much more energetic government than Madison expected.

Though Madison did collaborate on *The Federalist* to defend the same plan of government, Banning shows that Madison and Hamilton's interpretations of the plan were antipodes from the start. Whereas in Hamilton's contributions there are numerous references to the value of a great commercial republic, no such language can be found in Madison's. Madison's support of the new plan of government was predicated on his belief that agricultural producers would be dominant and keep the regime within its proper bounds.

Perhaps the greatest contribution Banning makes is his reevaluation of *Federalist* No. 10. Banning unabashedly asserts that No. 10 was neither an unequivocal endorsement of a large republic nor an endorsement for multiplying the variety of interests in the nation. According to Banning, Madison was arguing that a large republic offers more security from majority abuses. In Madison's view, the extension of the republic could only curb democratic ills when local and general interests were properly and strictly divided. Increasing the number of factions, which Madison considered a great evil, was not his intent.

In short, the research presented in this book makes it apparent how the Father of the Constitution could both oppose the Washington Administration and later frame the Virginia Resolutions. *The Sacred Fire of Liberty* is an excellent examination of the thought of James Madison and an important work of historical revisionism. Banning's portrayal of Madison as a son of the Virginia piedmont, consistent advocate of states' rights, and strict constructionist, does much to aid our understanding of the Father of the Constitution. □

Mr. Watkins is assistant editor of The Freeman.

America First! Its History, Culture, and Politics

by Bill Kauffman

Prometheus Books • 1995 • 296 pages • $25.95

Reviewed by Gregory Pavlik

Bill Kauffman's new book is a mix of biographical essays, historical commentary, and contemporary criticism. *America First!* sets out to describe a way of looking at the culture and politics of the United States that is distinctly American. In one sense, it is a history of nativist populism and isolationist sentiment. On the other hand, Kauffman mixes in to the equation a strain of aristocratic, blue-blood Americanism that makes it harder to pin his America Firsters down on class lines. When applied to contemporary politics, Kauffman lumps together Gore Vidal, Jerry Brown, Pat Buchanan, and Ross Perot under one roof. And, as he explains, they "fit together like pieces of a jigsaw puzzle: the true puzzle [is] how it could ever have been otherwise."

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Kauffman's seemingly odd union makes sense because Vidal, Brown, Buchanan, and Perot all react against the United States Empire in one way or another. Kauffman pines for an older America that minded its own business and made virtue of republicanism. As he asks in the conclusion: "do we really want to live in an America in which the flickering image of a starving Rwandan on CNN is more immediate to us than the plaintive cries of the hungry girl down the road; a world in which young Americans don blue helmets and travel halfway around the world to enforce the resolutions of the United Nations, while in small towns across America volunteer fire departments are undermanned?" He'll have none of the globaloney that dominates the contemporary intellectual scene. He holds up American dissident voices for admiration, not because they are dissidents, but because they're still Americans.

What emerges is a brief for Jeffersonian decentralism, strict noninterventionism in foreign squabbles, and authentic localism in politics, business, and life. He lays out his ideal through the lives of Americans who shared this vision in some way: Hamlin Garland, the midwest literary populist; Amos R. E. Pinchot, the wealthy, cantankerous left-wing populist described by historian Arthur Ekirch as "better than anyone, except perhaps A. J. Nock in our time, . . . a precursor of the libertarian movement"; literary master Edmund Wilson, who hated war and refused to pay income taxes on principle; Gerald Nye and John T. Flynn, heroes of the Old Right resistance to the Roosevelt New Deal and War Deal; Alice Roosevelt Longworth, daughter of Theodore and nemesis of Franklin; Sinclair Lewis, literary champion of small town America; Gore Vidal, whose foreward to *America First!* doesn't shrink from reminding the reader how much of our supposed "defense" budget is squandered in the service of the American Empire; "the other Arkansas Bill," isolationist Senator William J. Fulbright; Edward Abbey, Earth First! Luddite and hill-billy particularist; and a gaggle of other notables who exemplified what it means to be an American.

The last half of the book or so is comprised of essays on rebuilding an America First movement around the republican principles championed in the first half. It brings to mind another recent book on American politics: David Frum's *Dead Right*. Not because there are any meaningful parallels, but because Kauffman's outstanding analysis will go largely unpromoted and ignored by the big journals of liberalism and conservatism, while Frum's neo-conservative work remained the talk of the New York-Washington establishment for months. Frum vigorously promoted the global activist-beltway Right, gently chiding them for their over-reliance on big government. In contrast, he treats America Firsters and Old Right holdovers as neanderthals and mossbacks—more fit for the fever swamps than the intellectual scene. It speaks volumes about the price of dissent in America. Between the two wings of the ruling class of faux liberals and faux conservatives, "there's not," to quote another America Firster, "a dime's worth of difference."

My only complaint about the book is that it is too short. There are so many America First heroes, most of whom fell on the wrong side of history, that it is an absolute necessity to revive their memory. A secondary problem which emerges from its brevity is that the book seems to be plagued by gaps. It jumps from progressive to Old Right to anti-Cold War figures without filling in the details of their struggles. It doesn't convey the feeling that many of these individuals represented—and still do represent—mass public sentiment, rather than cranky-but-correct views. Nevertheless, *America First!* is a highly relevant and readable book from start to finish. It deserves the attention I'm sure it won't get. □

Mr. Pavlik is associate editor of The Freeman *and editor of* Forgotten Lessons: Selected Essays of John T. Flynn, *published by FEE.*

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